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THE POSITION & BUSINESS OF CHINESE NATIVE BANKS

Profits made during the two years by the majority of Chinese native banks in Hongkong have been unprecedented and aroused, quite understandably, the envy of the established commercial banks. The basis for these outstanding profits—which were many times the paid-up capital of such native banks—has been, since ever business resumed here after the Japanese surrender, the non-observance by these financial enterprises of the host of exchange and similar regulations both here and abroad.

The abnormalities of the post-war period with its continuation of general economic restrictions and prohibitions (necessitated by the war) were adroitly used by them to the fullest advantage. The innumerable control measures for the international movement of goods and means of payment, even for the domestic distribution of commodities, have grown into an intricate science, and those who discovered the loopholes and inevitable shortcomings of all controls earned great rewards.

Laissez Faire in Hongkong.

Hongkong has been distinguished—amidst a sea of mounting state controls—by comparative freedom of private business and "*laissez faire, laissez aller*" still hold good here although free enterprise has to suffer more and more inroads. The principal reason for this blessed state of affairs—blessed as far as the free entrepreneurs are concerned—is the peculiar geographical and political position of this Colony: it is one of the world's leading entrepôts, a free port, not much more than a beautiful and excellent harbour and a Far Eastern emporium (although industry has recently shown quite an independent existence).

This Colony's Government officials, very much aware—or made aware—of the needs and ambitions of free enterprise have contributed to and even promoted the prosperity of Hongkong by refraining from official interference

as much as was possible. In view of the stringent exchange and trade regulations obtaining in the Home country it was surprising to see how fluid and vague relevant interpretations were made and enforcement of controls were observed.

However, there were and continue to remain—with a tendency to increase—sufficient regulations the circumvention of which promised extraordinary profits while risks were negligible.

The rather general abuse here of the lenient and trade-promoting attitude of Government vis-a-vis the commercial and financial community flourished particularly among the native banks and related financial enterprises. The background was also most congenial: an Oriental milieu of egotism and nepotism, lack of discipline and of regard for non-members of the family and clan, extreme materialism which values success only by gold possession, the all-embracing faith expressed in the worship of the golden calf. On such soil the Chinese native banks were almost predestined to grow to the astounding importance and affluence of today.

Meaning of "Native Bank".

The term of "native bank" is largely anachronistic in our days. The Chinese characters mean simply "bank shop" and not, as commercial banks are describing themselves in Chinese, "bank company". Originally all so-called native banks were money changers who also—but by no means all of them—engaged in limited domestic or Far Eastern remittances. Gradually they extended their range and some of the more imaginative formed small commercial banks ("bank companies") leaving the pure and simple local money exchange business to so-called Exchange Shops.

Evolution of Business.

In the days of great monetary confusion in China—when provinces, municipalities and districts had different paper and silver money which changed rapidly—the money changers performed a most essential service. But with the reform of banking in China and the consolidation of national finance by the Kuomintang the role of money changing lost in importance and therefore native banks had to turn to other forms of earning; they slowly but successfully encroached on the business sphere of commercial banks and, thanks to war and civil war, discovered and then developed many new lines which, by law, were closed to commercial banks but, by the back door, were wide open to the native banks and their poor relation, the exchange shops.

Chinese Govt. Attitude.

If not for the existence of so many currency restrictions the native banks could not have survived, at least not all of them and not with such imposing wealth. The Chinese Government wages a half-hearted fight against the core of currency control defiance: the native banks. Since so many of the leading men in Nanking and in the Provincial capitals are directly or through their families connected with such bank shops, and furthermore since much of the political support of the Kuomintang comes from the tough and prosperous financial free entrepreneurs, there cannot be expected any real action against them.

Therefore it is a waste of time promulgating rules and prohibitions in the financial field if the existence of bank and exchange shops remains untouched. Thousands of such shops operate all over the vast country doing mostly officially prohibited business.

In fact, their operation is conditional on a large number of prohibitions and regulations restricting the use of any form of payment within the country and with abroad. The public could dispense with their services if not for the immensity of exchange and trade impediments and outright embargoes.

Attitude of Hongkong Govt.

Hongkong Government has taken the view, after learning about the background, the important connections of a good number of banks and the intricacies of their operations, that the best policy was to leave them well alone. If one has a legalistic mind one cannot help describing the activities of the local bank shops, as, by & large, contravening the various laws of the Colony concerning dealings in foreign exchange and gold. It certainly is more politic to do as is being done. Besides the economy of Hongkong has not been harmed, perhaps the contrary, and only the morality of some (probably entirely frustrated) commercial bankers has been outraged.

The unpleasant thing is that the black marketeering is done with so little discretion; at first, i.e. soon after the liberation from the Japanese and for free enterprise, the native banks advanced gingerly into an as yet unexplored area full of potential dangers. When they tasted the forbidden fruit and nothing happened they found about the truth of the dictum *l'appetit vient en mangeant*, and their ability to take in profits grew amazingly.

Respectable Banking Companies.

Many local native banks have, for reasons of respectability no doubt, organised their former shops into limited liability companies and they sport, with pride, an "Ltd" wherever there is a chance to show it off. Thus quite a few of the local so-called native banks have become proper bank companies and ought to be duly acknowledged as commercial banks. After all their business entitles them to such consideration; there are many proper commercial banks who would praise themselves fortunate to transact as many millions as their successful competitors from the "Chinese city" district.

Nevertheless, many of the most egregiously earning native banks still adhere to the old designation of a bank shop. It is they who have close connections—with partnerships and shares in each others firms—with more prominent Chinese commercial banks and even some European or American financial establishments.

Much business which commercial banks cannot well afford to do openly—such as Chinese money transfers, US\$ and gold transactions—is being done through the convenient "native bank front"; it appears that the financially less successful big banker condescendingly smiles away at the "irresponsible" methods of business done by his powerful and so resourceful competitors but, eventually, he cannot help playing the game and he usually does it with conspicuous verve. After all quite a few of the big financial taipans come from the humble bank shop where they learned what now is the *conditio sine qua non* of piling up a fortune.

Ownership of Bank Shops.

If one is to define the banks here which come under the vague term of "native bank" a negative statement would probably be most helpful, viz. all those banks which are not members or associate members of the Hongkong Exchange Banks' Association are "native banks". The ownership of such bank shops and semi-commercial banks (with an "Ltd" embellishment) has originally been simple: they started as a one man concern, or by the typically Chinese amalgamation of a family with the in-laws, and friends from the same town or county.

The expansion of business required more capital and more branches, accordingly, partnerships grew and finally many native banks went the 20th century way, organised themselves as limited liability companies but still retaining the shares within a relatively narrow circle of merchant's and financiers (which includes of course the ubiquitous military chieftain and politician whose protection often is more valuable than any purchase of shares in a bank, such personages usually being elected, as it were, *honoris causa* to directorships).

The Business Field.

One cannot generalise when describing the variety of business actively undertaken by local native banks; it comprises practically every aspect of banking although many shops specialise and do not venture into what is properly the domain of commercial banks. The most common activities are concerned with:—Chinese currency (trading in bank notes, also for forward delivery; inward and outward transfers by mail and radio); Gold bullion and coin; Silver ingots and coin; US\$ notes, drafts and telegraphic transfers; transactions in the currencies of Indo-China, Siam and the Netherlands Indies. (Some shops specialise in Chinese overseas family remittances others in gold speculation.

A large number of money exchange shops, possessing more or less pretentious premises, are operating either as affiliates, branch establishments of native banks or do business independently. Most native banks here have branch offices (in an open or covert form) in one or more of leading Chinese cities, particularly in Canton, Shanghai, Swatow, Amoy, Hankow, Kunming, Chungking etc. Financial transactions with Taiwan are now more common than a year ago and the Taiwan dollar is dealt in at the black market, selling always at a premium over the official fixed rate between it and CN\$.

Furthermore, many native banks are closely connected with similar bank shops in Far Eastern centres like Bangkok, Singapore, Batavia etc. The maintenance of branch or related offices in China and in the "South Seas" (the Chinese expression for Far Eastern countries, excluding Japan) is essential for the successful operation of native banks.

Recent Activities.

The activities of many of the leading native banks here have remarkably increased since early 1946. With accumulating funds, earned in speculation and from regular though not strictly legal transactions, the bankers were looking for more outlets for their capital. An increasing number of clients, lured by the high rate of interest offered by native banks, offered adequate capital for the native banks' engaging in commercial loans and speculation outside the Colony.

Friends and many introduced people have been making heavy deposits with a number of native banks. As most commercial banks do not accommodate savings accounts allowing only fixed deposits at 1 to 2% p.a., the less conservatively inclined investors entrusted bank shops—with and without "Ltd"—with their spare cash for which more than 6% p.a., often up to 10% p.a., were paid. Consequently, native banks were in a position to grant short-term loans (at high interest) against more or less adequate security (but often only against "face") like China export produce, imported commodities, real estate, gold, foreign bank notes etc. Here, again, because of the inability by commercial banks, conforming to the Colony's legal requirements, to accommodate prospective borrowers who offered gold or US\$ as security (which could be accepted only at their official i.e. much lower than unofficial value) native banks obtained a chance to lend out money at high interest.

A few native banks with good banking connections abroad were able to open letters of credit for local importers, especially for goods from South East Asia. Others were active in financing imports of produce from China, co-operating as they did with transportation combines and godown companies.

Since nothing but success succeeds many of the native bankers were elevated to the position of investment advisers to many influential groups both here and in China and wherever overseas Chinese reside. Some local idle funds were diverted to investment or speculation in the U.S. (commodities, bonds and securities), other capital was utilised in buying shares at the local exchange or operating a curb stock & share market.

The native banks' monthly clearing totals are not made public but they must be very large considering the number of bank shops, goldsmiths etc. taking part in it. Outside Hongkong Clearing House (figures of which are published regularly in this Review) there are the native banks' clearings which usually pass without much notice although they amount to a considerable percentage of the Clearing House totals.

With regard to Stamp Duty which is payable in respect of all financial transactions which are legally re-

OUTLOOK FOR INVESTMENT IN HONGKONG

The instability of most national economies of the victorious countries—not to mention conditions in subjugated territories—has caused periodic and severe losses to the majority of the middle classes while creating opportunities for the comparatively few who were competent and lucky to take advantage of them. The ordinary investor has usually found himself among the losers having seen the purchasing value of his possessions steadily shrinking. This was particularly true of those investors who held savings accounts, Government bonds, life (and endowment) insurance policies while holders of shares in industrial and other private enterprises, on the average, may have kept pace with the rise in prices since the outbreak of the second world war. The same can be said of those investors who kept gold, diamonds and other precious metals or jewels. Real estate holders have not fared so well; in many countries, where severe rent restrictions by the Government remain in force, prewar and postwar land and house values are not very much different. Hoarders of commercial commodities and raw materials have reaped, at times but especially during the war, enormous profits but this field was practically closed to the average investor who lacks knowledge in the purchase, storage and disposal of commodities.

Stability of Sterling and HK\$

The average investor in Hongkong is concerned primarily with the stability of sterling to which is linked, definitely for the better, the exchange value of the local currency. In spite of baseless rumours (spread by local and Canton speculators who at times sell HK\$ short) to the effect of a "free HK\$ rate," meaning a lowering in the value of HK\$ in terms of sterling, there never was the slightest indication, since the end of war and the liberation of Hongkong from Japanese occupation, that a change in the policy of the Bank of England and the British authorities as regards HK\$ has even been considered.

It has, therefore, been taken for granted that in the hypothetical and rather improbable case of, sterling devaluation in terms of US\$, the value of HK\$ would automatically decrease in relation to US\$. The investing public here has discussed the consequences of such an event although—except for short spells of agitation and nervousness—in the end all worries were dispelled and confidence in the inherent strength of sterling and the sterling area (which includes the local dollar) always stubbornly emerged.

cognised (like share, real estate sales) the gold traders are not contributing to the revenue of the Colony since contracts in bullion business have no legal basis here if made at higher than official prices.

Many millions of Stamp duty could be collected every year by Government if dealings in gold which are carried on quasi-legally, would be subject to this tax.

Investors' Worries

However, economic conditions being what they are in a world which is slowly moving back to peace and order but which is caught between two contesting spirits—capitalism and communism—the investors must remain constantly on the alert, follow developments from day to day, be prepared to shift their funds out of potential danger zones and sink them only there where the promise for stability is relatively well founded.

In a country where the balance of foreign payments and the balance of trade is seriously out of order and deficits are piling up without any reasonable hope for adjustment, investors will inevitably try their best to get out with their funds despite official prohibitions and penalties. While there is in the U. K. a considerable unbalance of foreign trade and of international payments, the prospects for an adjustment of this postwar dilemma are most encouraging and there is generally much confidence expressed in the eventual (probably by 1950) reverse of the present state of Britain's international payments. Under such conditions there has not been any discernible flight from sterling, and the investing of international funds in the U. K. and the Empire has noticeably expanded.

Stable Conditions in Hongkong, Singapore and Manila.

This movement of funds into the Empire has been accelerated by the disturbed conditions in other parts of the world. In the Far East there exist since the end of war three areas of comparative stability: Hongkong and British Malaya by virtue of their sound economy and their forming part of the Empire; and the Philippines by virtue of their close political and economic bonds with the U. S. It is these three areas which have attracted, and continue to attract, investments from abroad and especially flight capital from civil war ridden China. The stability of the currencies of Hongkong, Singapore and the Philippines (the first two ones linked to sterling, the peso linked to US) has never been seriously questioned. However, an insidious depreciation of these currencies—as well as sterling and US\$—has occurred in the postwar era. In terms of open market quotations of gold, commodities and the general cost of living all member countries of the sterling or dollar areas have found that the purchasing value of their respective currencies has decreased. This meant that fixed values have suffered and holders of savings accounts, life insurance policies and Government bonds possess now only half or one third of their prewar investment values.

Investment Conditions in China.

Due to the enormous deficit of Nanking's Budget and the inability of the Chinese Government to increase taxation or decrease its ordinary and war expenditures,

progressive monetary inflation was the only means to keep going. Inflation in China has wrought more damage to the common people than the war and there appears no end for it in sight.

Flight of capital from China was the only possible answer by investors who did not wish to see their wealth evaporate. Most of this flight capital went to the U. S. where probably over US\$ 1,000 million are held by private Chinese citizens (including Government officials, army and navy commanders). These Chinese funds in America are invested in various forms, either under the proper names of their owners, or in the name of ad hoc organised "investment companies," of U. S. or other nationality. The most popular forms of Chinese investments in the U. S. are: fixed deposit; bonds, preferred and common stocks; grain, cotton and other commodity speculations; gold and precious metals and jewelry; but considerable Chinese flight capital has also gone into business investment, the purchase of land, houses and factories both for operation and speculation.

The trend of further accumulation of Chinese private funds abroad, particularly in the U. S., can only be halted if and when more stable conditions and the termination of civil war in China have been accomplished. Until such time there will remain, irrespective of Chinese Government controls and threats of punishment, sufficient loopholes for investors—especially those who are among the high and mighty in the Kuomintang empire—to move their fortunes out of the country.

Hongkong has also received a considerable portion of Chinese flight capital on account of the stability of sterling and the free and visaless admission of all people of Chinese race into the Colony. While it is difficult if not impossible for average Chinese who have no direct connections with leading Nanking officials to obtain a passport and then sail for the U. S., every Chinese, the poor and the rich, may enter Hongkong without any questions asked. It is understandable that investors prefer not to be separated from their wealth and therefore, although Hongkong offers few opportunities for flight capitalists, considerable fortunes were brought to this Colony where much of them rest in the vaults of local banks or are kept in safe private places in Chinese residences.

The Average Hongkong Investor.

The local stock and share market has been the traditional outlet for funds of the average investor here. Those who possess cash accounts and dispose regularly of a surplus from earnings desire: continuity of income, reasonable safety of capital, and moderate enhancement in value of their investments. The conservative character of the management of Hongkong public companies has favourably impressed the average investors who, realising that prices of securities are bound to change and market values of acquired portfolios cannot remain static, appear never to be disturbed by price fluctuations. All purchases of

shares are paid in full, there is no forward settlement and the mortgaging of shares (at 50 to 75% of market value) for the purpose of increasing one's portfolio is only infrequently resorted to, usually by bullish syndicates who wish to participate in what appears at times as a sustained rise in the market.

Hongkong Share Market.

Government bonds are, to all intents and purposes, not traded here and there are no debentures or preferred stocks on the market. All business is done in about a dozen active shares in local public utilities, shipping, land and industrial companies. The average yield of such shares is now around 5 to 6% (while Govt. loans yield 3½%). Since the earnings of practically all companies whose shares are listed at the local Exchange have been in excess of the 1946 business year—which was already described as very good—the prospect for satisfactory dividend and bonus payments are excellent as has been proved by recent companies' announcements.

Although a 10% profits tax is to be deducted from dividends and bonuses in most cases the companies absorb the tax and pay to their shareholders at least the same as for the 1946 business year but in quite a few cases considerably more. Such conditions cannot be but conducive to an appreciation of share prices and the attraction of new investors. It has been noticed that recently many small investors entered the market (like commercial and Government clerks, members of the police and the staff of shipping firms etc.)

This is a sign of general confidence in local economic conditions. There was, however, also one particular motive recognisable among small investors, viz. the apprehension as regards the continued stability of sterling. The extraordinary turnover of the last 3 weeks was partly attributable to these apprehensions but mainly to the change in the technical position as money has become less tight, dividend payment announcements followed each other, and reports about the favourable earning results of most companies were no longer treated by company directors as a great secret.

Favourable Outlook.

If investors came to consider the opportunities presenting themselves in the local share market they could not fail to notice: (1) that sales by stores, production of factories, operation of shipyards and warehouses, general business turnover were satisfactory and yielding adequate profits; (2) that there were no disagreements between management and labour, wages being paid on a scale which is considered adequate by labour while there is an increasing supply of labour on the market; (3) that no week passes without a number of plans being realised for the operation of new businesses, especially industrial production; (4) that fresh outport capital arrives here part of which seeks profitable investment, i. e. to a certain percentage looks for cover at the share mar-

ket; (5) that general conditions in this Colony are favourable viz. the stability of the currency; mild taxation; a Government distinguished by integrity, efficiency and solicitude for commercial interests; a comparative oasis of law and order; (6) that the technical position of the market is most conducive to sound investment but not to speculation as there are only limited numbers of shares for sale (the peculiarity of local vested interests is to hold on to their portfolios on end, while thousands of families keep shares like heirlooms); the management of most public companies is ultra-conservative and no speculative incentives—with rare exceptions—are provided.

Lack of Speculative Incentives.

Although several share brokers here have attempted to influence the majority of their colleagues to make preparations for the institution of forward trading in local shares these efforts have been eventually frustrated. Without forward settlement and margin business there cannot be any speculation in the proper sense of this term. A semi-speculative method is at times employed here by groups of Chinese who form a syndicate for the purpose of buying up shares in one or more companies in the expectation of dumping the lot at a higher quotation.

Among the local brokers, members of the Stock Exchange Ltd., there are quite a few who are active jobbers and it is they who at times also inject a speculative note into the otherwise monotonous market. Their technique of rumour spread-

ing cannot, however, be well developed in so small a market as Hongkong but it is part of a game played with restraint and a degree of responsibility.

Some public companies whose shares are not listed at the Exchange are occasionally issuing new capital, and their old shareholders at times sell from or want to increase their portfolios. Such transactions are only few as non-listed public companies' shares are usually firmly held by directors and their friends and relatives.

Ample Idle Funds.

There is a large amount of capital available in the Colony for investment in new industrial and other enterprises. The recent flotation of \$50 million 3½% Government bonds—which were fully subscribed, mainly by trust funds—proved that the general public is not satisfied with such propositions and would prefer, and probably take up with enthusiasm, any amount of a Government premium bond issue. Another portion of the Reconstruction Loan (which has been authorised at \$150 million), probably \$50 million, might therefore be issued in the form of premium bonds. This matter is at present under study by Hongkong Government.

What is, however, required by the investing public is the flotation of capital for new industrial establishments as well as amusement places, real estate companies etc. Many local financial institutions as well as brokers are ready to act as underwriters and organisers of new public joint stock companies.

EASIER MONEY AND LOW INTEREST

The money position here has become much easier since the beginning of this year with the result that there is more capital available in commercial and speculative markets. Considerable quantities of cargo which previously clogged local warehouses could be cleared—probably at some loss or at cost as regards a large number of unlucky importers—and inquiry from China and other Far Eastern markets has become noticeable. Sales of imported commodities were effected, besides to China, where actually the low purchasing power and not so much the trade embargoes militate against expansion of business, to Malaya, Siam and, in barter trade, to Korea. Money is gradually returning from stocks which appeared so solidly frozen that pessimistic merchants a short while ago were prepared to lay off for the next season.

The tight money position of last December was depressive and caused the stagnation on the local share market. As soon, however, as merchants could liquidate part or all of their holdings and settling their overdrafts new money entered the share and other financial markets. Speculation revived and is now again active all over the city.

Prospects are that the money position will become easier in the near future. After the Chinese New Year settlement

is over there is a traditional recuperation of buying in the interior which is partly due to new credits being advanced by Chinese banks and other financiers to their established clients. Then there is dividend time coming around; many public and private companies have already declared satisfactory dividends and bonuses, and before the end of March substantial amounts in cash will be paid to shareholders of many of the local limited liability companies (public and private), commercial firms etc.

The satisfactory results achieved in 1947 when the majority of local enterprises piled up profits are now going to be felt. There is, additionally, some fight capital from Shanghai and elsewhere in China regularly finding its way to the Colony where part of these idle funds seek profitable investment and increase the local purchasing power.

While we are coming back to a period of money plethora the days of great easiness of early 1947 may not return. A judicious financial policy should take into consideration the possibilities of usefully employing the increasing idle funds in the city. Unless more attractive rates of interest are offered to potential depositors their funds will be diverted, as has been the case last

ILLICIT WIRELESS TRANSMITTERS IN HONGKONG & CHINA

The operation of wireless transmitters and receiving sets for their financial and commercial intelligence is vital for the business conduct of native banks, produce dealers and most traders in China. The very frequent changes in the unofficial foreign ex-

change rates of the Chinese dollar—a consequence of progressive monetary inflation—and in quotations for native and foreign commodities necessitate up-to-the-minute wireless service for all quarters interested in trade, finance and industry.

year, to less desirable outlets such as commodity and exchange speculation, entrusting of funds to speculative agencies, etc.

A large number of capitalists, and by no means only the small ones, prefer to keep with commercial banks savings accounts and fixed deposits on which nominal interest only is paid out. But for two local banks no savings accounts are opened altogether and the rate of interest allowed is only 1 to 2% p.a. It may be just as well to keep gold, foreign currency notes and drafts, and Hongkong dollars in the safe deposit boxes with the banks; in fact, this is being done by many members of the wealthy classes (not only, as is commonly but erroneously supposed, by concubines and a certain type of flight capitalist). Native banks are allowing much higher rates of interest on fixed deposits which usually are from 6 to 8% p.a. but, in many individual cases, interest rates paid by such bank shops were much higher.

There are two rates of interest in force, the official rate and the "private" rate. A revision of the Colony's bank rate may possibly achieve much good by reducing the flow of idle funds into the channels of native banks and financial brokerage firms. At present commercial banks charge 5% p.a. for overdrafts and commercial loans (demanding from 50 to 70% security) while miscellaneous bank shops and financiers charge as high as 10 to 24% p.a. Short-term loans against security from native banks yield usually 2 to 2½% per month while overdrafts command often an even higher rate. There are some financial institutions who solicit clients by offering them "overdraft facilities" almost immediately after a current account has been opened.

There cannot be any doubt that the considerable difference between official and private interest stimulates investors to take certain risks while securing sizeable benefits from their savings or other capital funds at their disposal. If the difference could be narrowed either by an increase in the official or a decrease in the private interest rate there should be far less money going to non-commercial banks. Furthermore, the incentive to risk money in speculation and doubtful commercial ("transportation") transactions should then be reduced as far as the more seriously inclined investor is concerned.

Conditions in China are subject to the vagaries of civil war and guerilla operations, disruptions in ordinary communications, political and other rumours, official measures intended to interfere with private trade or otherwise to provide new avenues for graft, widespread hoarding and cornering of commodities, etc. Since the government owns and operates all telecommunications and the quoting and reporting of unofficial market developments are prohibited, the commercial community, by and large, had to resort to illicit wireless and other telecommunications.

Illicit Radio Stations in China.

There are many thousands of illicit radio receiving and sending stations operating in China most of which are found in Shanghai, Canton and other leading cities. Besides illegal radio communications the publication of a commercial and financial nation-wide service is conducted by hundreds of enterprises. Many printing presses are deriving their profits mainly from operating an illegal service quoting unofficial market prices and giving economic intelligence reports.

There are in every major Chinese city several law-defying commercial news agencies which distribute their mimeographed or even printed sheets among the business community. Only rarely are such agencies, printshops and unofficial market reporters apprehended by the Chinese authorities. A large number of Chinese officials, especially in the higher ranks, are actively following the changes in the various commercial and financial markets where they usually are engaged with considerable funds. The elimination of illegal wireless and other communications—even if it were possible—would run counter to the very interests of the principal supporters of the regime at Nanking and, therefore, no serious attempt has ever been made in China to bring them to book.

Illicit Publications & Mail.

While the daily and periodic press in China is not permitted to make mention of black market rates and activities an illicit press has reaped enormous profits from serving the banks, merchants, manufacturers, investors and speculators. An illegal mail service is also operated both within China and between China and neighbouring countries, notably Hongkong, Macao, the Philippines.

There are some apprehensions about the operation, by the Kuomintang secret

service, of a mail censorship; while there are many proofs for occasional interceptions and subsequent actions taken by the secret service there cannot be any doubt that in so vast a country like China no successful mail censorship could exist. Only haphazard efforts have been made to tamper with the mails and to sift, in certain cities especially Shanghai, some of the "suspicious" from the regular mail.

In order not to take undue risks many merchants operate, through conveniently organised private mail concerns, the delivery of their letters directly. Carriers are travelling from place to place, using mostly the air transport facilities, and delivering money orders, documents, and other financially important papers.

The Position of Hongkong in Wireless Operations.

With regard to Hongkong the legal position is clear; apart from the Armed Forces and the services operated by Hongkong Government (including aeradio, meteorological, shipping, harbour, police wireless) only two commercial firms have been licensed to operate transmitters, viz. the Cable and Wireless Co. (British nationalised enterprise) and the Chinese Govt. Telecommunications Administration. (There are furthermore about 6 licensed amateurs experimenting with radio transmitters in this Colony). Cable & Wireless were granted, as elsewhere in the Empire, the monopoly for transmission of all fixed point-to-point commercial messages for which royalties are paid. The Chinese Govt. radio transmitter is serving only for Hongkong-China messages.

Under the Hongkong Telecommunications Ordinance all unlicensed wireless communications are prohibited and offenders liable to penalties which about a year ago have been increased as Government here became aware of the great number of unlicensed radio stations which daily transmit and receive from abroad exchange rates, commodity prices and other economic intelligence reports. Although it is the intention of Hongkong Govt. to stamp out the operation of illegal transmitters and many raids have been successfully conducted with culprits fined and often expelled from the Colony, the number of illicit stations has not palpably decreased.

Government here is anxious that, alone for security reasons, this illegal practice is curbed; moreover, since the number of frequencies usable in any particular band is limited and the existence of many illicit stations operating on unauthorised frequencies turn the ether into chaos, the authorised radio transmissions are bound to be seriously interfered with.

Illicit Radio Transmitter Stations in Hongkong.

There are some 100 such secret stations operating on the Island and in

EXCHANGE & FINANCIAL MARKETS

HONGKONG CLEARING HOUSE

The total clearings of member banks of Hongkong Clearing House for the year 1947 amounted to \$6,595,044,175; the highest monthly clearing figure was \$642,913,034 (in May) and the lowest \$442,070,008 (in January). It was in April 1947 that the monthly clearing figure first exceeded half billion (viz. \$541,751,540) from which month on monthly clearings remained in excess of half billion.

The monthly clearing figures for October, November and December 1947 were respectively: \$611,565,018; \$512,126,354; and \$608,011,824.

(In our issue of August 15, p. 278, the first six months' clearings, and in our issue of December 10, p. 666, the period July to November clearings were published).

The clearing figure for January 1948 amounted to \$690,896,863 which represents an all-time record exceeding the highest monthly total of 1947 by \$48 million and the preceding month of December by \$82 million. Active trading and an increased volume in all-

round financial transactions were responsible for the very high January clearing total.

Before the outbreak of war monthly clearing figures were around \$200 million (for the months of July through November 1941 respectively \$210, \$189, \$206, \$181, \$176 million, while the month of December—when hostilities already were waged—aggregated only \$57 million).

Considering the depreciation of the HK\$ purchasing power—approx. \$1 pre-war equalling \$3 of today—business activity in the Colony is back to normal times if the current average monthly clearings are taken as an indication. While there was a slight business recession here during the earlier part of winter the upswing has now set in and prospects for improved business turnover are considered good.

REVALUATION OF GOLD.

The future of the gold price depends on decisions to be taken by the U.S. Govt. which remains, however, adamant it its avowed policy of adhering to the fixed parity of US\$ 35 per fine oz. The value of gold is maintained today by the continued purchase policy of the U.S. Treasury who holds out of a total of US\$ 37 billion worth of gold in the world (excluding U.S.S.R.) about US\$ 22 billion, and is obliged to acquire every year more gold holdings (in 1947 purchased about US\$ 2.3 billion, estimated purchases for 1948 \$2.5 billion, both from other government holdings and from new mining output to 75% and 25% respectively).

The U.S. Govt. has put its views repeatedly on record: in order to combat inflation, reduce current prices and return to pre-war price relationships the present gold price must be maintained. Any actions running contrary to the U.S. policy—like gold sales at premium over parity, black gold markets, encouragement of gold mining output by paying subsidies—are strongly opposed by the American Govt.

The history of the relationship between the US\$ and gold is as follows:—

The Act of April 2, 1792, established the first monetary system of the United States under the Constitution and fixed the weight of the gold dollar at 24.75 grains of pure gold, an ounce then being worth \$19.39.

In 1837, the gold content of the dollar was reduced, making the price \$20.67 an ounce, which, for nearly 100 years remained the standard price of gold in the United States.

Under the gold Reserve Act of January 30, 1934, the weight of the gold dollar was fixed by President Roose-

velt at 15.5/21 grains of gold, 90% fine, i.e. 13.71429 grains of pure gold. This action established the dollar at 59.06% of its former weight, and raised the price of gold from \$20.67 to \$35 an ounce, the price which remains in force at present.

The British Commonwealth is owning the largest gold stock after the U.S. Out of a total of US\$ 15 billion worth of gold held outside the U.S. the official gold possessions of the U.K. alone exceed US\$ 2 billion. As regards production, most gold is mined in the Commonwealth and Empire.

The position of the U.S.S.R. remains obscure; the Soviet's gold stocks and current production are generally supposed to be very great. The policy of the Moscow Govt. concerning gold as the basis for balancing international payments has been made clear: the Soviets are opposed to the gold standard. The purpose of continued and probably much expanded gold mining in the U.S.S.R. is political; however, occasional sales of its gold have also helped purchasing goods in America and elsewhere. The Soviet gold hoards and their supposedly enormous annual production constitute a deterrent for a higher gold price in the world.

In case of further recovery of the economies of most countries which suffered from the effects and the aftermath of world war II, there will ensue a general adjustment of prices, and no need will arise for a revision of the present gold parity. It is in anticipation of this development that the U.S. Govt. adheres to its unchanged gold policy.

Local investors should not fall prey to occasional market panics and buy at almost any price. There must be always kept in mind the fixed relationship between gold and the US\$ and also the price developments on free gold markets where between US\$ 42 to 45 per oz. are paid.

SIAM IN THE CONVERTIBLE STERLING GROUP

The Siamese Govt. has joined the Convertible Sterling Group which means that with effect as of last September Siam was able to utilise sterling credits for transfer to all member countries of this group, in addition to those in the sterling area. For purposes of making these transfers, transferable accounts have been opened in London for a number of banks doing business in Siam, including Siam Commercial Bank, Bank of Asia for Industry and Commerce, Provincial Bank, Hong Kong & Shanghai Banking Corporation, Chartered Bank of India, Australia and China, and the Mercantile Bank of India.

For the present, Siam's total non-sterling foreign exchange will not be increased.

Kowloon. Their charges are, like with the two authorised radio communication enterprises, uniform, viz. 40 cents per word. Although some of the very active banks operate their own station, most banks and leading merchants subscribe to the service of an individual station. On the average a native bank pays \$1,000 per month for its illicit telecommunications bill. The daily revenue of all unlicensed local transmitters, mainly derived from financial circles, is around \$7,000.

Much of the equipment used in wireless transmitting and receiving originated from U.S. surplus disposal stocks. The U.S. Forces in China trained large numbers of Chinese during the years 1942-45 and raised a rather competent crop of wireless operators whose knowledge has been well exploited by the new vendors of black marketeering. Some illegal wireless stations also employ apprentices who are recruited locally. Chinese operators who were formerly with the R.A.F. or Royal Navy signal corps are also conspicuous among the staff of illicit wireless stations.

The capital of many such stations is supplied by several groups of native banks and trading houses but the majority of illicit transmitters are operating independently.

Radio communications between here and Bangkok, Hanoi, and other nearby Far Eastern centres are also carried on. Many of the merchants engaged in trade with Indochina obtain commercial information from Hanoi and Saigon through illicit stations.

TRANSACTIONS OF NATIVE BANKS
IN HONGKONG

The volume of T.T. New York, and drafts payable in the U.S. as handled by native banks and exchange shops, has averaged during the last two months US\$ 50,000 to 100,000 per trading day. Sales of U.S. notes on the spot market have been recently moving between US\$ 30,000 to 40,000 per trading day (On Saturdays the turnover is usually much smaller than during the rest of the week). There is also a small market in U.S. notes for future delivery but this is, as customary here, a matter of clearing of margins. The commission charged for spot notes is around 2 to 3 per mille (usual-ly HK\$ 100 to 150 per sale of US\$ 10,000).

The supply of Chinese overseas family remittances from the U.S. is of less importance for the native money exchange than local exporters' bills. There are also some holders of free funds in New York, usually China residents, who supply regularly the merchant and speculator demand which comes to native banks. The supply of bank notes has been sometimes seasonally strong (as when U.S. marines and navymen "invaded" the Colony; overseas Chinese returnees bringing back their savings in notes; Shanghai "refugees" arriving with fat rolls of U.S. notes) but there is a certain amount of American dollar bills circulating among speculators as their stock-in-trade.

The Chinese domestic remittance business of Hongkong native banks (by mail and illicit wireless) is influenced by the rates and business conditions of Shanghai and Canton but rather well controlled by about 7 of the larger banks who all have their net of branches and correspondents in the interior. Together with the host of exchange shops the spot bank note business is regulated. Transactions in CN\$ futures are carried on both inside the native exchange market (the Gold & Silver Exchange Society) and among the native banks and some Chinese commercial banks as well. During recent weeks the daily turnover of CN\$ (notes, drafts and radio transfers) amounted to over CN\$ 180 billion on the average per trading day (over HK\$ 6½ to 7 million). Less than half of the daily trading amount is required for commercial transactions. At times two thirds of the market turnover is purely speculative.

TT Canton (actually illicit wireless transfer) is negotiated in two forms: (1) receipt of the transferred amount guaranteed on the same day and (2) receipt agreed upon to be payable in Canton three days after value was received in Hongkong. The second form of transfer (mostly effected by airmail advice) is about 2 to 2½% cheaper than immediate delivery. Remittances to Shanghai and to other Chinese cities are also carried out in the same way

but usually immediate delivery Shanghai means one day delay between sending of the radio instruction from here and receipt of value in Shanghai.

During recent weeks outward remittances to Canton averaged CN\$ 10 billion per day while mail and radio transfers to Shanghai averaged 75 billion. The operating native banks receive daily orders from a number of commercial banks who do not want to engage directly in CN\$ transfers. There are some 70 banks and exchange shops in Hongkong doing regularly business in CN\$ exchange. They charge the commercial banks and all brokers about 1 to 1½ per mille commission.

NOTE ISSUE IN CHINA.

The big denomination notes of CN\$ 100,000 have now become very familiar all over the country. New issues of 2 and 5 lakh notes are expected within a short time as large quantities of such notes are reported to be printed in the various bank note presses in China and orders have also been placed with bank note printers in the U.K. and U.S. Substantial amounts of Chinese notes are also printed in Hongkong. Shanghai bankers' estimates speak of a current circulation of CN\$ approximating 40 trillions; the Communist radio gives figures which are very much greater (from 100 to 150 trillions).

A WEEK OF "HARTAL"

The Chinese New Year week (Feb. 9 to 14) passed without any larger transactions as all native banks, the Gold & Silver Exchange Society and all Chinese operators observed the Spring Festival. Unofficial trading was resumed on 13th with a few native banks and curb brokers quoting rates and selling smaller amounts. The Exchange will open for business on Monday, 16th. Markets in China also remained closed and there was no need for economic police organs to ferret out black marketeers as the nation observed, in traditional spirit, suspension of all business.

Local and Shanghai and Canton unofficial rates will be found below.

CHINESE OFFICIAL EXCHANGE
RATE

On Feb. 9, the official exchange rate of T.T. New York has been raised again (by CN\$ 4,000) to CN\$ 134,000 and 137,000 for buying and selling respectively. TT London remained unchanged at CN\$ 408 and 418,000 (buying and selling). The Cross rate has thus come down to US\$ 3.05.

The difference between the official and the black market rate for US\$ remains about the same as during the previous weeks this year. The official rate may be further advanced in order to bring it more in line with the black market rate, however, the unofficial exchange markets will probably not remain static (around CN\$ 180/190,000) but very soon exceed the two lakhs level. The current difference between official and black market rate amounts to 38%. Central Bank of China permits appointed banks to quote forward rates which are limited to 3 months and may only differ by 5% per month.

The black exchange market of Shanghai quotes sterling notes around US\$ 2.40 to 2.50 (in line with New York's free market) while the unofficial cross rate is about the same as quoted by Central Bank of China (US\$ 3.05).

GOLD MOVEMENTS.

During the Chinese holidays some 100,000 ozs. of gold were unloaded in Macao. Due to suspension of trade and traffic the vaults of the banks in Macao (mainly Tai Fung Native Bank) have had to accommodate larger than usual quantities; the current stock there is estimated at around a quarter million ozs.

The issue of new gold import and transit licences is expected to be resumed during the present week when about 250,000 ozs. will be permitted by Macao Govt. as the second quarterly import quota. The question of the procedure in respect of transit licences remains obscure and it appears that no ceiling for such imports in transit has been ruled. Much gold which was originally intended for importation into Macao has recently been re-directed in Saigon (for Rangoon) and such quantities as have not reached Macao may have to be replaced.

Hongkong Unofficial Market Rates in (HK\$)

Feb.	Gold per tael		CN\$ spot (one million)	T.T.	US\$ per 100		
	High	Low	High Low	Shanghai	notes	drafts	T.T.
13	354	346	33½ 33	29	520	520	534
14	352	347	34 33	28	522	523	533

Shanghai and Canton Unofficial Rates.

Feb.	SHANGHAI		CANTON	
	Gold per oz. (CN\$ million)	US\$ note (CN\$ 1,000)	Gold per tael (HK\$)	HK\$ note (CN\$)
13	11/11½	185/190	365/370	32/33,000
14	13/13½	182/188	360/365	33/34,500

HONGKONG STOCK & SHARE MARKET

The week, Feb. 9 to Feb. 13, had only three trading days in the local Stock Exchange, due to the usual two days stoppage for the Chinese (Lunar) New Year. A comparably good volume was recorded, \$3½ millions for a total of 143,445 shares. Had it not been that a large section of Chinese operators will not be resuming business until Monday, the 16th, a better volume would probably have been transacted. Nevertheless, a buoyant and active market was reported at advancing prices for the first two days. On the last day of trading, however, considerable profit taking occurred which pared off some of the gains made during the week.

Market observers are of the opinion that the profit taking was a healthy sign in the current trend which is basically upward. This year, up to the present time, it has all the characteristics of a "bull" market.

The ostensible factors supporting the trend indications are still the same, namely, (1)—Easy money; (2)—Excellent working results of local companies for the year just passed, with equally as good, if not better, prospects for the current year, and, (3)—Britain's economic outlook which is not, at least for some time to come, expected to show improvement.

The recent decline in the stock markets of leading cities abroad is ascribed to the deflationary "scare" to halt soaring commodity prices, and is not an influential factor in the local share market. On the other hand "eyes" are being concentrated on the action of leading Gold shares quoted in the London Exchange. It is noteworthy, that throughout the "break", which, happily, now appears to have been halted, the trend of "Kaffirs" in London has been upward.

This is regarded as highly significant in relation to the sentiment prevalent amongst capitalists abroad regarding the future of the British currency. Having no similar counters in

Local gold brokers were concerned about the possible scarcity in supplies but latest information confirms that supply will be equal to demand. Prices here and especially in China remain very high which seasonal development may not last for long.

Exports of gold from the U.S. for the week ended Jan. 28 totalled US\$ 4.6 million, of which exports to Saigon valued US\$ 488,385 and to Manila US\$ 9,400.

Hongkong's silver exports to the U.S. for the same period totalled US\$ 77,390 while direct shipments of silver from China to New York valued US\$ 16,979.

the Hongkong Exchange "giltedged", and selected "growth stocks" will continue to provide attractive hedges for the vast amount of idle cash in the Colony.

Report of Watsons.

The Report and Accounts just published of A. S. WATSON & CO., LTD. for the year ended October 31, 1947 must have been gratifying to shareholders. It showed a year of achievement. The net profit was \$210,060 higher than the previous year. After various appropriations, including depreciation, etc., and \$334,625 to War Losses Account, a dividend and Bonus of a total of \$6 per share, absorbing \$810,000 was declared. It is worthwhile noting that War Losses, which stood in the books at \$1,995,240, have been completely written off from profits earned in 1946 and 1947. Other salient features of the accounts are: (1)—Increase of Fixed Assets by \$360,749; (2)—Current Assets were \$694,936 higher, while Current Liabilities and Bills Payable declined by about \$86,000; and, (3)—The Carry Forward was \$340,812, or approximately \$2.27 per share, as against \$101,447 at the end of the previous period.

Price Index.

The Felix Ellis' price index showed a net loss of .09 compared to the close of the previous week. Day-by-day his averages were: Feb. 9, 148.57; Feb. 12, 148.68 (new high for 1948); and Feb. 13, 148.15. The High and Low for 1947 were 155.82 and 123.88 respectively. The low for 1948 was 145.26 on Jan. 14 and the high 148.68 on Feb. 12.

Business Done:—

BANKS: H.K. BANKS had sales at 2,050 cum dividend of 3 pounds.

INSURANCES: CANTONS had sales at 400, UNIONS at 790 while **UNDERWRITERS** were higher with sales at 7½ and 8½.

DOCKS & GODOWNS: WHARFS old were done at 190 and the partly paid new ones at 115. Other Business were: **DOCKS** at 35, **CHINA PROVIDENTS** at 26¼, 26½, 26, 26¼.

HOTELS & LANDS: Business in this section were: **H.K. HOTELS** at 24½, 24¾, 25, 24¾, 24¾; **LANDS** old at 90, 91, 90, 91, 91½, 91, 90, 89, and new at 89, 88½; **SHAI LANDS** at 5½; **HUMPHREYS** at 31, 31¼, 31, 31¼.

MINING: RAUBS had sales at \$6.

UTILITIES: Business was reported as follows: **TRAMS** at 24.90, 25, 25¼, 25, 25¼, 25; **STAR FERRY** at 138;

YAUMATI FERRY at 40, 40½, 41, 43½; **CHINA LIGHTS** old at 23, 23¼, 23½, 23¾, 24, 24¼, 24½, 24¾, 24, 23¾, 23½, 23¼; **CHINA LIGHTS** new at 18, 18½, 18¾, 19, 19½, 19¾, 19, 18½; **ELECTRIC** old at 57½, 57¾, 57, 57½, 57¾, 57.65, 57.60, 57½, 57¾, 57; **ELECTRIC** new at 55, 55¼, 55, 55½, 55; **TELEPHONE** old at 44, 44½ and new at 40½, 41½.

INDUSTRIALS: CEMENTS old at 37¾, 38, 38¼, 38, 37¾, 37½ and new at 34½; **ROPES** at 23, 23¼, 23½, 24; **DAIRY FARM** ex Rights 68, 68½, 69, 68½, and Rights at 44 and 45; **WATSONS** ex Rights 57¾, 58, 58¼, 58½ and ex dividend and ex rights at 54½, 54, 53½, 53¾; **WATSONS** Rights 27, 28, 28½, 30, 30½, 30, 30¾ and 30.

STORES: LANE CRAWFORDS had sales at 55½ and 55; **WING ONS** at 137.

MISCELLANEOUS: CONSTRUCTIONS old had a sale at 7½.

COTTONS: EWOS had a transaction at 16½.

* * * *

HONGKONG STOCK EXCHANGE TRANSACTIONS.

The turnover for the week ending February 13th amounted to \$4,673,413. Sales at the Stock Exchange were as follows:—

Name of Stock	Highest Price	Lowest Price	No. of Shares Sold
H.K. Bank	2,050	2,050	53
Union Ins.	790	790	10
Canton Ins.	400	400	40
Wharves	190	190	300
Docks	35	35	712
Providents	26¼	26	5,450
Hotels	25	24½	8,000
Lands, old	91½	89	5,013
Lands, new	89	88½	1,246
Humphreys	31¼	31	4,016
Trams	25¼	24.90	1,015
Yaumati Ferry	41	40	957
Electrics	57¾	57	4,098
Electric, Rts.	55¼	55	2,285
Lights, old	24½	23	28,800
Lights, new	19½	18	6,950
Telephone, old	44½	44	600
Telephone, new	41½	40½	850
Cements, old	38½	37¾	9,900
Ropes	24	23	9,650
Dairy Farms, Rts.	45	44	1,551
Dairy Farms	69	67½	6,600
Watsons	58½	53¼	6,000
Watsons, Rts.	30¾	27¾	7,100
Lane Crawford	55½	55	600

Other sales were:—100 Wharf Rights at \$115; 100 shares of Star Ferry at \$138 1,000 new Cements at \$34½; 500 Constructions at \$7.50; 2,000 Raub Mines at \$6; 100 Wing On at \$137; 7,000 China Underwriters at \$8.50; 200 Ewo Cottons at \$16; 9,000 Shanghai Lands at \$5.75.

THE STERLING DOLLAR PROBLEM

Recovery of Britain's Economy—No Currency Depreciation—Adjustment of International Trade and Payments

By John M. Cassels & Frances L. Hall*

The "British Crisis" has raised problems which are much broader in their scope and more persistent in their character than the two words would ordinarily suggest. It is true that Britain is faced with very serious problems arising from the circumstances of its own economy, but these purely British problems would not have proved so troublesome had the situation not been aggravated by conditions prevailing elsewhere in the postwar world. It is also true that the British situation called for sudden and specific action, but for the country's fundamental problems no quick or independent solution can be found. Britain's difficulties are accentuated symptoms of the over-all problem of world recovery.

Of the two types of problems involved, one is concerned with the basic difficulty of securing supplies of food, raw materials, and other essentials, for the maintenance of the population and for productive purposes during the period necessary to get output and exports up to the level required to make the country once more self-supporting. This was the purpose for which Britain asked for the credit from the United States and was in itself sufficient justification for making the loan.

The other type of problem is concerned with monetary problems involved in multilateralism which are accentuated because exchange rates for the currencies of different countries cannot yet be established at equilibrium levels.

A.) BASIC PROBLEMS

With respect to Britain's own basic economy, the situation actually is better than might have been expected in view of the terrific impact suffered from a war in which the country expended for military purposes the equivalent of 2½ years' total national income; and in view of the adverse factors with which it has had to contend during the past 2 years.

(1) Production.

Britain's total production is above the pre-war level. Although no official index of over-all production is available, this is evident from the levels for key items. Coal production is still below prewar levels, but the consumption of coal in the United Kingdom in 1946 was 10 percent above the pre-war level. In 1947, the total consumed may be slightly less because of a planned

increase in stocks, but the supplies used by industry will be as high as in 1946, if not a little higher. Production of steel ingots was 28 percent higher in 1946 than in 1938, and about the same level will be maintained this year. Total railroad freight movement in 1946, as reflected in ton-mile figures, was 24 percent above pre-war. When a correction is made for increased length of haul, the increase in the volume of goods moved was about 10 percent. This movement probably will not decline in 1947. An unofficial study published in the London and Cambridge Economic Series estimates the physical volume of "gross industrial output" in 1946 to have been about 5 percent above the pre-war level.

The remarkable rate of increase in production attained in 1946 has not been maintained in 1947. The principal reason cited for this retardation in Britain's production progress is the depletion of stocks of coal and raw materials last year, followed this year by the diversion of more coal to stock building and by shortages of other materials needed for continuous and efficient operations. The weather crisis in February and March, although it did not cut coal production perceptibly, did result in serious agricultural losses and led to dislocations in industrial production, which have given the programme a temporary set-back. (The London and Cambridge estimate of gross industrial output in 1947 is 14 percent greater than output in 1938.)

(2) Exports.

The volume of United Kingdom exports also has been extremely creditable. About the middle of 1946 it reached the 1938 level and continued to rise to a level of 111 percent for the fourth quarter of the year. The weather crisis caused a drop in the first quarter of 1947 to the pre-war level, but the July figure (affected to some extent by seasonal influences) was 25 percent above the 1938 level. At the beginning of this year the British Government was planning on the assumption that the level of exports by December 31 could be raised to 140 percent—giving an average level for the year of 125 percent. This was over-optimistic, in view of the coal shortage and other limiting factors. On July 1, British officials announced that they expected to reach the 140 percent level by the middle of 1948. The new estimate seems to be conservative, and, if proposed measures for stimulating production prove effective, it might be exceeded.

(3) Imports.

The volume of Britain's imports in 1946 was only 69 percent of the 1938

level. The heaviest cuts were made in such items as: pulp and paper; timber; corn; oil cake; fresh fruits; lard; oil-seeds; cotton; wheat; and sugar. The 1947 program announced in February allowed for retained imports at about 82½ percent of the 1938 level. Some items, such as tobacco, were to be reduced below 1946 imports. After the weather crisis, there was a great deal of talk about drastic downward revisions of the import figures, but, since Britain's imports are nearly all essentials, it proved difficult to make cuts. Actually there was an unplanned falling off of imports in the first half of 1947 which left them at only 73 percent of prewar level. Imports for the second half, measured by volume, probably will fall below this figure, considering the recently announced cuts, unless there is a considerable shift in the source of supplies from Western Hemisphere countries to soft-currency countries which are willing to hold pounds sterling or with which Britain has a surplus of exchange.

(4) Consumption.

Britain's program of limited imports and expanded exports has necessitated the acceptance by the British people of an "austerity" standard of living. In comparison with many other countries, the standard is relatively good, but it is far from satisfying to those who had counted on a marked improvement after the end of the war. The health and nutrition of the population has been adequately provided for, but supplies have been scarce relative to consumer purchasing power, and commodities available in significant quantities have included few items other than the bare essentials of life. The fact that money incomes have been allowed to stay at levels higher than could be spent on available supplies of essential goods and services has created inflationary tendencies, has lessened the money wage incentive, has made it difficult to prevent an overdevelopment of unessential services, and has prevented individuals from feeling through their own budgets the stringency of the national situation.

(5) Balance-of-Payments Deficit.

Britain's economic program has been such that, had the country's problems been limited to the meeting of its general balance-of-payments deficits during the period from 1946 to 1948, it almost certainly could have made ends meet with the aid received through the combined credits from this country and from Canada. Britain's deficits for the three half-year periods from January 1, 1946, to June 30, 1947, were, successively: \$965,000,000, \$895,000,000, and \$1,300,000,000. The total for the period was

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\$2,960,000,000. Before the downward adjustments now being made in the country's import program, it had been anticipated that the deficits for the second half of 1947 would be of about the same magnitude as in the first half, but it was confidently expected that a reduction of perhaps 50 percent could be made in the figure for the first half of 1948, and that in the second half Britain would come close to balancing its accounts completely. On this basis, the country's total deficits for the three post-war transition years would have been in the neighborhood of \$5,000,000,000 and could have been covered by the United States credit of \$3,750,000,000 plus the Canadian credit of \$1,250,000,000. The more rigorous program now being introduced will lessen the deficits for the second half of 1947 and for the year 1948. This should reduce the total considerably.

Britain's individual progress toward recovery, as reflected in the figures given above, has been both creditable and encouraging. It has been achieved despite price rises (unforeseen when the United States and Canadian loans were negotiated) which have been responsible for increasing the country's deficits to date by something like \$400,000,000 and despite the weather crisis which gave its program a severe set-back in the early months of 1947.

Clearly, Britain's present crisis must be explained by other factors.

(6) Drain on Dollar Resources.

In the first half of 1947, the drain on Britain's United States dollar resources, owing to payments the country felt it had to make in that currency to countries other than the United States, was greater by almost \$100,000,000 than the net amount it owed this country for goods and services received directly. During that period Britain paid the United States \$705,000,000 on its own current account and paid to third countries \$800,000,000. In addition, Britain paid the United States \$115,000,000 for food that had to be sent to Germany. The payments to third countries included: \$220,000,000 to Canada; \$255,000,000 to Central and South American countries; \$270,000,000 to sterling-area countries; and \$55,000,000 to European countries.

Britain's expenditure of United States dollars, resulting from the claims of non-United States areas, was *six times as great* as it had been in the last half of 1946. This may reasonably be regarded as one of the fundamental causes of the financial problem with which Britain is now confronted. The country has, in fact, been suffering a disproportionate share of the impact of the general shortage of United States dollars in the world at large. It felt the effect of this dollar drain before the convertibility obligations of the Financial Agreement came into effect on July 15.

In an effort to prevent a "run" on its dollar resources, Britain worked out a system of transferable accounts with the countries with which it trades to insure that only current earnings were presented for conversion. Unfortunately, in view of these other countries' great need for dollars, the plan proved to be inadequate to prevent a large drain, and Britain was forced to suspend, with United States agreement, the convertibility of pounds into dollars on August 20.

(7) Shortages Underlie Dollar Need.

The basic needs of Britain, and of other countries less fortunately situated than ourselves, are for supplies of physical goods. Any dollars they obtain through trade, or loans, or grants-in-aid are important to them only as the tokens which enable them to get these goods. Because their needs for goods have been so urgent, they have had difficulty in sending out exports in sufficient quantity to offset more than a limited proportion of the imports required.

The rest of the world has been paying the United States through the immediate delivery of goods for no more than about one-third of the supplies which have been exported. The basic question from the United States point of view is whether the needs of other countries for the two-thirds of American exports not offset by current imports, and our own long-run interest in satisfying them, is so great that this country ought to provide the necessary means of financing them. Or, more precisely, for what quantity of goods—greater or less than the present volume of our unrequited exports—should financing be provided?

Britain's economic situation during the next few years will be profoundly affected by whatever decision the United States makes. The United Kingdom has been shipping a large part of its out-going supplies to countries which have not fully repaid that country either in goods or dollars, and could not have done so in their present circumstances without the greatest difficulty. As noted above, Britain also has been compelled to pay United States dollars for an increasing proportion of its imports from other countries, because those countries in their turn had such an urgent need of goods from the United States which could only be paid for in American currency.

In retrospect, it is clear that over-optimism and miscalculations played some part in the spending of United States dollars by other countries during the first half of 1947. Some countries allowed imports of goods which were not absolutely essential. By far the largest part of the imports of all the deficit countries, however, consisted of essentials. Their importance in contributing to world recovery cannot be overestimated. The real need for them continues.

The extent to which the patterns of trade will be altered in the near future depends primarily on the amount of financial assistance that other countries can count on from the United States. A further factor will be the development of a freer exchange of goods between various countries, which has been provided for in the recently negotiated Customs Union between Belgium, the Netherlands, and Luxembourg (Benelux), and which would follow from other recent agreements in this broad field.

B.) SECONDARY PROBLEMS.

Until general solution of the over-all dollar shortage is found, Britain may find it difficult to maintain sterling on a freely convertible basis. And until production is more nearly back to normal all over the world, the country certainly will be faced with difficulties which will involve continued management controls over its foreign trade and other international transactions.

As has been seen, the needs of other countries for United States goods and services are so great that, even at the high prices prevailing here, the demands of the outside world on this source of supply far exceed the reverse flow of goods and services to the United States. In 1946, the difference was about \$8,000,000,000; and at the rate for the first 8 months of 1947, it would amount to approximately \$9,250,000,000 this year.

This current-account deficit of the non-United States world, if it is to continue, must be offset by capital-account items. Other countries must draw on their gold and United States dollar reserves, transfer assets to us, obtain credit from us, obtain grants from us, or default on their payments to the United States. In 1946, the deficit of \$8,000,000,000 was balanced by: (a) Transfer of assets amounting to roughly \$2,000,000,000; (b) drawing on United States loans for about \$3,000,000,000; and (c) grants from this country totaling close to \$3,000,000,000.

In 1947, with a potential deficit of \$9,000,000,000, the balancing items (excluding any further transfer of assets), are smaller than last year. Therefore, an enormous "financial gap" is left which must amount to between \$2,000,000,000 and \$2,500,000,000. If additional dollars are not made available to the rest of the world, this gap will have to be closed by increasing the goods and services we obtain from other countries and decreasing the quantities we export to them. If steps are not taken to provide additional financing for 1948 the situation will become even more stringent.

Since each country is presumably buying no more goods and services from the United States than it wants at present prices (and present rates of exchange), and is selling as much to us as it finds advantageous at the prices

it can obtain with existing tariff barriers, all those whose balances of payments with America are unfavorable have a strong incentive individually to acquire United States dollars and thereby avoid the necessity of making unwanted changes in their trade with this country.

The total of the quantities of United States dollars that other countries individually wish to secure at the present rates of exchange is greater than the total supply available in the non-United States world. In these circumstances, the pressure on the United Kingdom to supply United States dollars to countries having claims on Britain has been very great.

One of the steps by which Britain can expect to bring about some betterment in its dollar position is the redirection of its exports and imports. Britain's situation is such that regardless of its long-run interest in having untrammelled trade with all parts of the world, potent economic forces are driving the country to direct its trade in order to meet its balance-of-payments difficulties.

Britain, in making its imports from this country more nearly equal to the shipments we receive from there, will merely be doing what the non-United States world as a whole must do, unless the financial gap referred to above is filled by credits or grants from this country. Other countries, as well as Britain, are finding themselves compelled to take similar steps.

Some of the difficulties which the United Kingdom and other countries have in making their currencies convertible and allowing their trade to move strictly in accordance with commercial principles follow from the fact that exchange rates cannot be left entirely to open-market forces and should not, in the present circumstances of the world, be adjusted by monetary authorities on the basis of such consideration alone.

Were exchange rates to be so adjusted or allowed to adjust themselves, the price of the United States dollar in terms of other currencies would rise. The cost of imports from the United States by other countries in terms of their currencies would rise correspondingly and those countries would have a good commercial reason for buying less from us. The supply and demand for United States dollars would be brought into balance through the establishment of the price for dollars by the free play of market forces.

C.) ALTERNATIVES AND CONCLUSIONS.

From the above analysis, it would seem to follow that certain clearcut alternatives are to be recognized and definite choices made between them. Basically the choice for the immediate future lies between: (1) The establishment of equilibrium relations in the ex-

ternal market for the United States dollars; or (2) the acceptance of controls over international trade and transactions, or a combination of the two.

The present writers venture to suggest here that establishment of complete equilibrium is not a feasible method to solve the problems outlined above in the immediate future. Such equilibrium would come about in one of four ways: A decrease in the demand for United States dollars; an increase in the supply of United States dollars available to non-United States countries; a decrease in the price of other currencies in terms of the United States dollar; or a combination of these changes.

The economic demand for dollars is not subject to manipulation, inasmuch as it is determined by basic conditions. The supply of United States dollars could be increased by larger grants or credits from this country. A considerable expansion of our financial-aid program can be supported on the grounds of world needs. It is likely, however, that adjustments in the exchange rates of some countries also would be required to achieve a satisfactory equilibrium position.

The case against a general depreciation of other currencies is not based on the ground that it would cause a decline in our exports relative to our imports. This is a direct result of the dollar shortage. The reason depreciation must apparently be rejected as the remedy for current difficulties is that the blind operation of purely economic forces could not be depended on to bring about, in all respects, the results to be desired in the present abnormal state of world affairs. For example, a general depreciation would have the effect of making countries which can ill afford to pay the present United States prices pay even more for what they bought in this country. It should also be remembered that free exchange rates would prove to be highly speculative,

therefore unsettling, in the current period, and would lead to further adjustments and unsettlement and speculative movements after the current abnormal shortages have been overcome.

There are good reasons—the present writers feel—for maintaining approximately the present exchange rates for the dollar (paralleling the reasons for price controls in emergency periods), but if this course is to be followed, the necessity for accompanying control measures to influence the international movements of goods and funds must, it is felt, be accepted. Some adjustments in the rates might be advantageous as a means of lessening the strains that have to be overcome by conscious management devices, but this will not remove the necessity for controls.

Prices (including exchange rates) perform two economic functions when they are allowed to adjust themselves freely to market conditions—they balance the total quantities which buyers are willing to take with the quantities the sellers care to sell them, and they provide the mechanism through which the distribution of supplies among the buyers is determined. In the absence of free prices (or exchange rates) both total quantity and its distribution have to be otherwise determined. This means that the quantity of dollars available in non-United States countries will be increased only by their conscious decisions to ship more to this country, or by our decision to increase our imports on noncommercial grounds or to extend greater financial assistance; and that the distribution of dollar exchange among different foreign countries will be determined by their direct dealings with the United States (including borrowing and receipt of other aid) and the arrangements made for settling their accounts with one another. The arrangements, therefore, become matters of very great importance to all of those countries and particularly to the United Kingdom.

OPPRESSIVE CHINESE GOVERNMENT FOREIGN TRADE & EXCHANGE POLICY

Necessity for Revision and Establishment of an Export-Import Link or Interlock System

BY A CHINESE BUSINESS MAN

It is no news to Hongkong's commercial community to hear from bankers, merchants and manufacturers in China a rising chorus of complaints. However, during recent months the opposition, to Nanking's economic restrictions, by a number of influential business men in China has become more audible and, while they all are agreed on the necessity of controls in postwar China, they cannot help accusing the bungling and probably the bad faith of some of the policy makers in Nanking.

A number of prominent Chinese merchants have either called on us or written to this Review requesting

that their justified grievances be aired and the public abroad be advised of the real conditions under which private business in China of today is compelled to exist. Since space in this Review is limited and developments in other Far Eastern areas have to be covered, inadequate attention has been given to the trade-restrictive policy of the Chinese Government and the genuine plight in which private business in China has found itself ever since the institution of the severe controls of November 17, 1946.

The official tendency to monopolise exports and imports, to squeeze private business out of existence and to

grant prominent personages closely related to, or connected with, the few men who are really in power, has emerged ever more obviously. At first anxiety but later sullen opposition was shown by China's resilient and energetic merchants, bankers and industrialists.

What goes these days in China under the euphemism of "smuggling"—actually highly sponsored and protected unrecorded imports and exports—has been a necessity for private business which otherwise would have been suffocated by official restrictions and chicanery. The methods employed by Nanking were not so much devised to achieve a balance of the country's international payments but to develop State control over the nation's production and foreign trade.

With the foreign trade and exchange legislation—stifling imports by means of quotas, appropriating export commodities by means of an artificial exchange rate—gradually taking on more severe forms, the opposition and discontent in the country rose.

In the following article, somewhat condensed by us, the author—a Chinese business man of prominent standing in export trade—puts forward some constructive suggestions regarding the improvement for business between his country and the world. —(ED.).

* * * *

Discussion about the "Link System" for China's foreign trade has taken up much time of the National Economic Council, Nanking. Besides state barter, this system might be the only way to cure the maimed private foreign trade of China. We might more exactly call it "Interlock System" of private export and import. That is to say, private imports will only be financed with foreign exchange obtained from private exports.

Much to the detriment of people's livelihood official trade controls of the Chinese Government have tended to stifle business generally. Conditions of foreign trading have not improved but deteriorated and foreign exchange resources are near exhaustion. In self-defence many merchants and manufacturers had to resort to smuggling practices. The expanding State and "favoured family" monopolies have aggravated the position of private business men.

Following is a short account of facts relating to China's foreign trade, the losses sustained by exporters, and the operation of State monopolies.

Deficit of Foreign Payments During 1946 & 1947.

The unfavourable balance of China's foreign trade amounted to CNC\$1,089 billion during 1946. The following table shows the equivalent value in terms of U.S. dollar. As the exchange rate was not uniform the calculation is made for different periods.

Month	Imports (Billions of CNC\$)	Exports (Billions of CNC\$)	Deficit (Billions of CNC\$)	Av. Ex- change rate*	Deficit (Million US\$)
Jan.-Feb.	27.0	10.8	16.1	1,700	9
March-July	477.6	85.4	392.2	2,020	194
Aug.-Dec.	996.5	315.8	680.7	3,350	203
Total	1,501.1	412.1	1,089.0		406

The available data for 1947 are for Jan. to Oct.:—(billions of CNC\$):—

	Import	Export	Deficit	Deficit (Million US\$)
January	150.6	48.4	102.1	30
February	216.8	81.8	135.0	26
March	430.0	144.9	286.0	23
April	520.4	210.9	309.5	25
May	531.3	415.1	106.2	9
June	532.4	266.7	265.7	22
July	720.6	225.9	494.6	40
August	938.5	478.0	460.4	11
September	1,076.6	286.7	789.9	19
October	1,746.7	530.0	1,216.7	21
Total	6,854.1	2,689.9	4,164.2	226

Smuggling Prevalent.

A country, having suffered destructions during war for eight years, wants more imports for rehabilitation and reconstruction. But the deficit will cripple the national economy if only paper controls are promulgated.

It is evident that the official foreign exchange rate is much lower than the black market. The exporters naturally avoid to surrender foreign exchange. They are obliged either to smuggle or to lose money. The following tables plead the facts that exporters who are obliged to surrender all their foreign exchange at the open official rate must lose.

(1) TIN 99%, per ton.	
Cost (Including refining loss)	CN\$ 184,800,000
Freight for shipping from producing area to export port (Shanghai)	" 31,000,000
Taxes, Insurance, and Miscellaneous expenses	" 5,000,000
Interest 15% per month, 60 days	" 66,240,000
Total fob. cost.	CN\$ 287,040,000

New York quotation US\$0.94 per lb.	US\$ 2,067.45 per ton
Surrendered at open official rate (US\$1 to CN\$131,500)	CN\$ 271,870,000
Loss per ton	" 15,170,000

(2) BRISTLE (Yunnan Black 17's assorted case), per picul of 133.3 lbs.	
Cost of raw bristle	CN\$ 35,000,000
Labour for dressing and Miscellaneous expenses	" 4,000,000
Freight, Insurance	" 2,000,000
Interest 15% per month, 90 days	" 18,450,000
Total fob. cost	CN\$ 59,450,000

New York quotation US\$2.40 per lb.	US\$ \$319.92 per picul
Surrendered at open official rate	CN\$ 42,069,000
Loss per picul	" 17,381,000

(3) WOOD OIL (Tung oil), per picul.	
Cost	CN\$ 1,900,000
Packing, Leakage, Freight, and Miscellaneous	" 2,200,000
Interest 15% per month, 60 days	" 1,230,000
Total fob. cost	CN\$ 5,330,000

New York quotation US\$0.26 per lb.	US\$ 34.66 per picul
Surrendered at open official rate	CN\$ 4,558,000
Loss per picul	" 772,000

The examples show the unfairness of the prevailing open official rate of exchange and the impossibility of procuring foreign exchange from exporters. Smuggling is necessary.

Monopoly of Export & Import Business.

There is one more factor that makes private traders very gloomy. The Central Trust, C.V.O.C., N.R.C., have monopolized nearly the whole kingdom of China's foreign trade. These government organizations have enough current capital to deal in exportation, while private business is smothered by money stringency and high interest rates.

As to Import business, plutocracy and the 4 well-known families hold the trump cards. The Control Yuan of China has issued on Oct. 5th, 1947, a report about the amount of foreign currency purchased from Central Bank of China by those "family firms" and the disposal of them. It is hard to say their imported goods were in any extent helpful to reconstruction.

The government has been in a very bad situation to procure and to allocate hard currency for financing import business. The import quota for first quarter was US\$99,675,000; 2nd quarter US\$72,610,000; 3rd quarter US\$67,873,000; and 4th quarter US\$53,393,000. The gradual decrease did not mean the decreasing tendency of needs. It has shown that the sources of foreign currencies were exhausted.

* The average official rates of exchange in 1946 were:—(For one million of CNC dollars):—

Jan.	US\$684.77
Feb.	US\$503.71
March	US\$490.62
April	US\$495.17
May	US\$488.24
June	US\$487.80
July	US\$489.05
Aug.	US\$408.35
Sept.-Dec. . .	US\$296.74

The official rates of exchange in 1947 were:—(For one U.S. dollar):—

Jan. 1	CNC\$ 3,350
Feb. 16	CNC\$12,000
Aug. 18	CNC\$39,000
Aug. 28	CNC\$38,500
Sept. 3	CNC\$38,000
Sept. 6	CNC\$40,000
Sept. 11	CNC\$40,500
Sept. 18	CNC\$42,500
Sept. 26	CNC\$46,000
Oct. 9	CNC\$55,300
Oct. 24	CNC\$55,000
Nov. 4	CNC\$59,500
Nov. 20	CNC\$64,000
Nov. 25	CNC\$73,000
Dec. 17	CNC\$83,000
Dec. 30	CNC\$89,000

Besides, the allocation of the quotas was quite unfair among importers and industrial firms. It was ever so ridiculous that the application of a certain plant was approved for one tenth of the applied amount. It is useless to buy a few parts of an engine instead of the whole engine. This kind of approval was worth nothing but wasted paper and time.

The National Economic Council in a resolution of Jan. 22 this year, stated that the Government will purchase all exportable commodities as private export business could no longer continue operating due to high producing costs of these articles. This absurdity is testimony that the official rate of exchange is unreasonable.

Examples of Siam and Hongkong.

However, the control of export and import business, the surrender of foreign bills, state trade, etc., are not uncommon after a war.

(1) In Siam, rice, tin, teak, and rubber were under World Allocation Agreement, and therefore government controlled. The exporter had to turn over 50% (for rice 90%) of his foreign exchange obtained from exports of those controlled articles, to the Bank of Siam, while the rest could be disposed of at the discretion of the exporter.

(2) In Hongkong, exporters surrender 25% of foreign exchange obtained from exports of a few controlled articles to Exchange Control, as the Colony's increased U.S. dollar earnings may enable larger exchange allocations to local importers of essential commodities from hard currency countries.

In both cases, the obligation of exporters is limited, while that in China is unlimited and bring the exporters only losses.

Suggestions for Relief of the Plight of Chinese Merchants.

The Link or Interlock System.

(1) The foreign bills obtained by exporters should be deposited in any one of national banks and entered into

exporter's own account, which would be used by the very exporter against his approved import licence, or would be sold at any mutually consented rate to other importers, who hold import licences.

(2) In case of the foreign bill being sold, the transaction could only be made once.

(3) The import of capital goods required by plants which do not produce exportable articles, would be financed with purchased bills, and the government would never provide any allocation of foreign currency. They would, if possible, deal in export business and government should encourage them to do so.

(4) The import articles should be strictly controlled so that luxuries and unnecessary goods are being excluded. The prevailing schedule should be modified and the quota system should be eliminated.

(5) Those established organisations such as Central Trust, C.V.O.C., N.R.C., would still hold their business and deposit their foreign bills which would be used for imports of government needs and as national reserves of hard currency.

(6) No precedence or privilege should be granted to those government organisations, and monopoly should be abolished. Private firms and government firms should at equal terms enter the markets in the country. Moreover, the right of first choice should be granted to private firms as otherwise the market would be disturbed in consequence of free competition with the huge capital financed by the government firms.

(7) Official rates of exchange should be kept in line with black rates or even a little higher to induce oversea remittances.

(8) If necessary, the exporters might be obliged to surrender some of their foreign exchange (not over 25%) to the government at a rate even lower than the present open official rate of exchange (CN\$12,000 to one US\$).

RAILWAYS & HIGHWAYS OF CHINA

In its report on conditions in the Far East the Economic Commission for Asia and the Far East (established by the United Nations Economic & Social Council) reviewed conditions of China's railways and highways as follows:—

Railways.

Length of railways north of the Great Wall is given as 11,342 kilometres, of which only 1,667 kilometres are now in operation. South of the Great Wall (including Taiwan), the corresponding figures are 14,586 kilometres and 8,600 kilometres respectively. Some 5,660 kilometres of line south of the Wall were destroyed or dismantled and of these 2,296 kilometres have been restored.

Even if the necessary materials were to be obtained and allotted, the rehabilitation of the Chinese railways north of the Great Wall does not seem to be a possibility owing to the events in Manchuria. The immediate problem, therefore, concerns the Chinese lines south of the Great Wall. Here the railway system has improved somewhat as the result of UNRRA acquisitions.

In order to maintain the existing railways, the Chinese Government states that 100 locomotives, 150 passenger cars and 1,600 freight wagons—approximately 4 percent of the existing rolling stock are required annually. Only about 10 percent of these requirements can be supplied from within the country itself.

HONGKONG'S SHIPPING Report for January

The total tonnage of ocean-going and river shipping that entered from, and left the Colony for, abroad during the month of January recorded an increase of 5.5 percent climbing from December's 1,346,819 to the present 1,420,539 tons. Of this, the sea-going vessels accounted for 1,211,052 tons and river steamers for 209,487 tons, the former showing an increase of 7.6 percent and the latter a decrease of 5.6 percent comparing the respective figures with the preceding month.

The total tonnage of ocean and river shipping showed that British ships, as always, ranked first and maintained the their unchallengeable position by claiming 45.1 percent, or 641,346 tons out of the month's recorded tonnage of 1,420,539. American steamers ranked second with 341,599 tons, or 24 percent, followed by Chinese vessels with 125,826 tons, or 8.9 percent. Dutch tonnage came fourth with 98,200 tons, or 6.9 percent, and Norwegian vessels fifth with 81,475 tons or 5.8 percent, while ships of other nationalities accounted for the remaining 9.3 percent, or 132,093 tons.

Ocean Shipping.

With the exception of Norwegian shipping which showed a decrease, the

A five year program of railway construction was contemplated involving the following additions:—

	Existing Number	5 Years Plan
Locomotives ..	2,141	plus 2,300
Passenger cars ..	3,253	plus 3,000
Freight wagons	39,178	plus 27,000

But it now seems clear that this must be considered as a long-range project, and that until the existing lines have been rehabilitated priorities for its fulfilment are out of the question.

Highways.

The length of the existing National Highways in 1947 is 74,853 kilometres. At present in South-west and North-west China only maintenance work and minor improvement is being carried out. In Southern China there has been some minor improvement of arterial highways. In North China road maintenance is coordinated with military needs.

Lack of bituminous materials for the surfacing of highways, and lack of technical personnel have interfered with road improvements, so that even existing road building equipment is not fully used.

Between 1937 and 1947, lorries increased in number from 17,655 to 37,287 but passenger motorcars decreased from 36,143 to 16,071 and buses from 10,837 to 4,323.

tonnage of other four leading shipping countries (as far as Hongkong is concerned) viz. the U.K., the U.S., China and the Netherlands, recorded increases in January when compared with the previous month. In the month of January, British ships accounted for 39.2 percent of the Colony's recorded ocean-going shipping, followed by American flags with 28.2 percent, Dutch ships with 8.1 percent, Chinese steamers with 7.2 percent and Norwegian ships with 6.7 percent. The rest of 10.6 percent was accounted for by vessels flying the Philippine, Danish, Panamanian, Portuguese, Swedish and Soviet flags.

European shipping, excluding British and USSR flags, accounted for 268,132 tons, or 22 percent. In January one British ship was leaving the Colony for the United Kingdom every four days and one American ship was sailing for the United States every two days.

River Shipping.

The drop in river shipping was attributed to the Shameen Riot which caused the temporary suspension of two British steamers operating between here and Canton. An added feature in river shipping in January was the navigation of Portuguese vessels between here and Macao.

January's river traffic was dominated by British ships which claimed 79.3 percent. Chinese steamers ranked second with 18.9 percent, while Portuguese boats took up the rest of 1.8 percent.

Commercial Cargo.

The 1,005 ocean-going and river steamers brought into and out of the Colony in January a total of 289,277 tons (deadweight) of commercial cargo, excluding Government and H.M. Forces stores, showing an increase of 38,538 tons or 15 percent over the December figures. Detailed figures were:

River steamers discharged 11,841 tons and loaded 10,358 tons; Ocean-going vessels discharged 180,544 tons and loaded 86,534 tons.

Passengers.

Altogether 107,059 passengers disembarked and left for abroad on board the 1,005 ocean-going and river steamers which was 8,358, or 8.5 percent more than in December. Arrivals by river boats were 31,011 and by sea-going vessels 23,806; departures were 32,450 by river craft and 19,782 by ocean-going ships.

Bunker Coal & Oil.

The 431 ocean-going and 574 river vessels bunkered 13,612 tons of coal and 15,209 tons of oil; the former loaded 11,633 tons of coal and 12,515 tons of oil and the latter 1,979 tons of coal and 2,694 tons of oil.

JUNKS & STEAM LAUNCHES.

The total tonnage of trading junks and launches under 60 tons each which came from, and left the Colony for, South China river ports and Macao in January

HONGKONG SHIPPING RETURNS FOR THE MONTH OF JANUARY, 1948. (1) OCEAN STEAMERS

Flag.	Arrivals		Departures.		TOTAL.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
British	97	239,904	98	235,339	195	475,243
American	32	170,799	32	170,800	64	341,599
Chinese	28	42,668	30	43,479	58	86,147
Danish	5	18,156	5	18,156	10	36,312
Dutch	11	56,327	9	41,873	20	98,200
Norwegian	22	42,326	21	39,149	43	81,475
Panamanian	5	13,772	8	17,281	13	31,053
Philippine	7	15,537	4	7,575	11	23,112
Portuguese	2	966	2	966	4	1,932
U.S.S.R.	3	11,560	2	5,259	5	16,819
Swedish	3	7,016	5	12,144	8	19,160
Total Foreign	118	379,127	118	356,682	236	735,809
Total	215	619,031	216	582,021	431	1,211,052

(2) RIVER STEAMERS

Flag.	Arrivals		Departures.		TOTAL.	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.
British	174	82,452	176	83,651	350	166,103
Chinese	106	20,190	105	19,489	211	39,679
Portuguese	6	1,710	7	1,995	13	3,705
Total Foreign	112	21,900	112	21,484	224	43,384
Total	286	104,352	288	105,135	574	209,487

was further improved by about 8 per cent, or 17,392 tons when compared with the previous month. The total tonnage recorded in January was 245,934 tons.

They carried into the Colony and left here with a total of 49,209½ tons of commercial cargo and 6,027 passengers, which were respectively 7,830½ tons more and 485 passengers less than the December figures. Of the passengers, 1,173 were arrivals and 4,854 departures; the great number of departures was attributed to the Chinese New Year when most Chinese like to spend the holidays in their native villages.

In January, 991 junks, boats, launches and other types of craft were granted licenses by the Marine Department (formerly Harbour Office); these included 14 motor junks and 39 steam launches and motor boats.

Following are the returns of motor and sailing junks and launches under 60 tons each engaged in foreign trade in January:

ARRIVALS

	Tonnage of Vessels	Tonnage of Cargo
Junks ..	117,447	37,426
Launches ..	5,132	149½
Total ..	122,579	37,575½

DEPARTURES

Junks ..	117,862	11,206
Launches ..	5,493	428
Total ..	123,355	11,634

BRITISH SHIPBUILDING

More than 300 ships, most of them motor vessels, are at present under construction or on order in British yards for overseas account. They range from 200 ton lighters to a 21,000 whaling factory and three passenger liners each of 18,000 tons. Almost every class of ship is represented—lightships, fishing trawlers, coal and timber carriers, motor tugs, tankers and passenger-cargo ships. The list promises full activity for the British shipbuilding industry for many months to come.

Of the 3,500,000 gross tons of new shipping under construction in the world at the end of 1947, more than one-half was under construction in the British Isles.

Orders were on the books from 20 countries, and every known class of ship was reported to be under construction. Included among the orders were fast cargo-carrying liners for Denmark, Netherlands, and Sweden; coastal ships and freighters for Argentina, Brazil, and Chile; cargo and fishing ships for Belgium; and passenger liners and fishing vessels for France and Portugal.

Among improvements developed during the war were hulls designed for increased speed without increasing the fuel consumption, and a general speeding up of building methods. Standardization is opposed, however, in the belief that the high type of craftsmanship would be affected.

The total tonnage on order in Britain for overseas is estimated at a figure of over 1½ million tons. These orders may all be completed within two years. Their total value is over £40,000,000 sterling.

The United Kingdom yards, in addition, are continuing their steady contributions to the rebuilding of Britain's own merchant fleet. Latest figures show that British tonnage registered today stands at 14 million tons. In the peak days before the war is stood at 17½ millions, so that the gap is still wide, but it is closing rapidly.

HONGKONG AIRPORT RETURNS

Compared with the record month of 1947, December, the airport returns for the month of January 1948 show again an improvement and indicate the further progress of civil aviation in the Colony.

A total of 384 civil air craft arrived in January at the Colony's airport of Kaitak against 373 in December 1947. Total passengers inward and outward last month aggregated 11,766 against 11,183 in December. Freight carried in and out was slightly reduced in January (162,524 kilos) against December (175,488 kilos).

Aircraft, passenger, mail and freight traffic at Hong Kong Airport for the month of January was as follows:—

In	Out	Total
Passenger		
6,275	5,491	11,766
Mail		
8,029 kilos	8,975 kilos	17,004 kilos
Freight		
24,443 "	138,081 "	162,524 "

Imports & Exports by Air.

Commodity	Import (kgs)	Export (kgs)
Chemicals & drugs ..	1,263	3,148
Chinese medicine ..	178	572
Dyeing & tanning ..	2	48,350
Foodstuff & provision	56	1,298
Hardware	2,775	14,953
Minerals & ores ..	—	62
Nuts & seeds	46	45
Oils & fats	15	8
Paints	202	11
Paper & paperware	7,682	53,336
Piece goods & textiles	2,366	2,669
Wearing apparel ..	5,105	2,659
Sundries	4,753	10,970
	24,443	138,081

HONGKONG'S INDUSTRIES Report For January

With 19 new establishments granted registration certificates in the month of January there were at the end of January a total of 1,207 registered factories and workshops operating in the Colony in addition to another 300-400 non-registered factories. On the mainland there were 923 and the the Island 284 industrial establishments. Of the 19 new factories, six are located in Hongkong and 13 in Kowloon.

The number of applications for registration received by the Labour Office up to Jan. 31 was 1,329. During the month of January were recorded cancellations of registration certificates of 10 factories—five in Kowloon and five in Hongkong.

In January, altogether 32 applications for new registration were sub-

mitted to the Labour Office. Of these—10 in Hongkong and 22 in Kowloon—seven were weavers, two factories engaged in ginger preserving, two in biscuits and confectionery, two in rubber wares, two in dyestuffs (mixing and repacking) and two in metal wares; as well as one factory engaged in dyeing, one in engineering and one factory each engaged in button manufacture, handkerchiefs, electric plating, electric bulb, soap, tallow, saw mill, chemicals, glue, gelatine, glass, tannery, garment and shirt manufacturing.

Cotton Cloth Weaving

The cotton cloth weaving industry completed all big orders received in December already by mid-January and since then no new large orders have

been received from abroad. Weavers, however, continued operation on a limited scale without night shifts, and piled up stocks in anticipation of much new business after Chinese New Year. Negotiations are underway between local weavers and Dutch merchants for supplying 10,000,000 metres of cotton cloth for the Netherlands Indies. Dutch merchants specified that they want gray coloured cotton cloth and asked for samples and prices from local weavers. The Chinese Cotton Cloth Manufacturers' Association have been collecting samples and price lists from their members to be forwarded to the Dutch merchants in the N.E.I.

Other Factories

Throughout January, factories and workshops engaged in producing hurricane lamps, paints, varnishes, needles,

glass wares, vacuum flasks and bakelite were operated at full capacity and earned good profits.

Likewise, the hand-torch industry experienced good business and in turn helped to improve the production of electric-plating and torch bulbs.

Towards the end of January, the Hongkong Electric Company circularised all factories on the Island, requesting them to cease using power for production between 6 p.m. and 11 p.m. as power output was fully taken up by domestic users and utilities. The Electric Company warned that failure to comply with the request may lead to power supply suspension. Seeing the difficulties facing factories and workshops on the Island, especially those engaged in electric plating, the Chinese Manufacturers' Union took up the matter and petitioned the Electric Company for reconsideration of the 5 hour restrictions but no satisfactory result has yet been achieved.

Rubber Industry

During January, only a few big rubber footwear factories did good business and kept their machines running to complete the big order of one million pairs of shoes for United Kingdom consumers. This order was received from the London Rubber Shoes Importers' Association in December and was completed before the end of January.

All medium and small rubber factories were only 50% operated since the Philippine markets have been almost completely closed to Hongkong-months, when the Philippine Customs made rubber footwear during the last classified the Hongkong products as China-made shoes, marketed in violation of the Anti-Dumping Act, and thus imposed an additional surcharge of 50 centavos (approximately HK\$1) on each pair.

Following repeated representations by the Chinese Importers' Association in Manila, the Philippine authorities agreed on Jan. 28 to the temporary exemption of locally made shoes and reduced the surcharge to 25 centavos per pair. The new rate is, however, subject to revision pending an investigation on the importation into the Philippines of China-made rubber footwear.

By the grace of this temporary suspension, rubber shoes manufactured in Hongkong are subject in Manila to the ordinary customs duty of 50 centavos and an additional surcharge of 25 instead of 50 centavos.

The local rubber footwear factories are expected to do more and better business in February following the latest move by the Philippine authorities. Meanwhile, local rubber canvas shoes producers found a new market in Ireland. Orders totalling 80,000 pairs of Wellington Boots have been

received by some factories from importers in Ireland and the boots are now being manufactured here. It is understood that Ireland does not require so many boots herself and intends to re-export them to England. Direct shipment from here to England is handicapped by the non-recognition of the privileges of Imperial Preference for Hongkong produced rubber footwear. Negotiations have been in progress for sometime on the question by the Hongkong authorities with the Home Government, but no concrete solution has yet been achieved. (Canvas used in the shoes is made of non-Empire raw materials).

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Cotton Yarn Position

The Colony's textile industry has recently been living on a hand-to-mouth basis on account of difficulties in obtaining adequate cotton yarn supplies from Japan, Italy and the United Kingdom as well as from China. An agreement for the supply of yarn by the China Textile Corporation was concluded as early as last September comprising 9,000 bales to be shipped here within three months. However, the Chinese Government owned and operated cotton mills did not perform their obligation and only delivered 4,000 bales by the end of last month—two months after the expiration of the delivery deadline. At the beginning of this month, Hongkong Govt. were advised by the China Textile Corp. that the remaining 5,000 bales of yarn were now ready for shipment and a letter of credit should be opened, which was immediately done without, however, resulting in the promised cotton yarn export to the Colony.

The purchase of Japanese cotton yarn for the Colony's estimated 750 textile factories has often been handicapped by the lack of U.S. dollar funds and, as a result, no regular supply can be expected from Japan. All payment for Japanese yarn is to be made in US\$ in New York as raw cotton from the U.S. is used by Japanese spinners.

A recent shipment of British cotton yarn arrived here from the United Kingdom. The quantity was small, however, but the price of the British product was much cheaper than the Japanese, Chinese or Italian yarns. It cost only about \$1.370 per bale, whereas the controlled price for cotton yarn is fixed by the Department of Supplies, Trade and Industry at \$1,400 per bale. The snag of the British yarn supply is that it is wrapped on cops and therefore local weavers will have to go through an additional process before the British yarn can be put on looms for weaving of cloth.

The arrival of British yarn caused a temporary slump in the local cotton yarn price. It forced the cotton yarns of other origin to drop to \$1.425 from the previous steady price of \$1.470 on the open market. The price decline

was short-lived as British yarns were quickly absorbed and new imports are not assured. The quality of British yarn impressed the market most favourably.

The Dept. of S.T. & I. has recently concluded another agreement with Italian yarn manufacturers for the supply of 10,000 bales of yarn to Hongkong at \$1,360 cif. The Italian yarn will be delivered here at rate of 1,000 bales per month as from February. The first shipment of over 1,000 bales, perhaps 3,000 bales, depending on the availability in Italy, is expected to reach here around the 20th. The regular monthly supply of 1,000 bales by Italy while a great help, does not cover local requirements as textile factories, at the current rate, would need over 5,000 bales every month.

Starting from March, the yarn supply situation may improve much as the Hongkong Cotton Mills, operating on 8,000 spindles, are scheduled to produce. The South China Cotton Mills, owning 5,000 spindles, are also expected to commence working. The combined production of these two mills will be almost 1,000 bales per month which output will be fully taken up by local weaving mills.

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Nanyang Cotton Mills

The Nanyang Cotton Mills Co., Ltd., which is the fourth cotton spinning mill to be set up in the Colony (as reported in our issue of Nov. 26, 1947 page 628) is expected to go into operation at the beginning of April.

This company is the first Anglo-Chinese financed and operated cotton mill in Hongkong; the other three—the South China, the Hongkong and the Wyler mills—are financed by Chinese industrialists from Shanghai. The capital of the Nanyang Cotton Mills is \$25,000,000, the greater part of which is held by three Yung brothers and another Chinese of the Sung Shing Cotton Mills of Shanghai; the British capital was contributed by Messrs. Lawrence Kadoorie and E. R. Hill (of Dodwells). The Board of Directors is composed of Messrs. Lawrence Kadoorie (Chairman), E. R. Hill, Yung Hung-yuan, Yung Hung-san, Yung Hung-ching and Wang Yun-cheng. The company was registered at the Supreme Court of Hongkong on October 2, 1947.

The cotton factory will be the first one in Hongkong to operate a cotton spinning mill as well as a cotton cloth weaving mill in the same premises. The management bought the factory site of some 280,000 sq. ft. in Mataukok opposite the Slaughter House last September. Construction of the factory building has been underway for the last three months and will be completed early next month.

The mills will include one factory building of 65,000 sq. ft. for spinning

COMMERCIAL MARKET REPORTS

EXPANSION OF AMERICAN BUSINESS WITH SIAM

Government and business circles in Siam are still concerned with problems arising from the British non-convertibility of sterling for current transactions. Export-import firms make considerable effort to obtain dollar exchange as insurance against the future. This has been reflected in substantial exports to the United States of such decontrolled products as shellac, crude glycerin, and antimony, and, conversely, in disinclination of exporters to ship tin and tin metal, from which the Government still retains 50 percent of the foreign-exchange proceeds.

and another one of 30,000 sq. ft. for weaving and a godown of 30,000 sq. ft. A large space on the same site has been reserved for future expansion and for the construction of two four-storey buildings each measuring 3,000 sq. ft. to be used as quarters for workers and for administrative offices. The land and the construction of the two mills and the godown required an expenditure of \$5 million. Both the spinning and weaving mills are air conditioned buildings where has been installed a de-humidifying system which is indispensable here for the production of cotton yarn.

The mills' spinning and weaving machinery is the most modern one in the Far East. There are 15,000 spindles and 200 automatic machine looms, which were all made by the H. & B. American Simplex Machinery Company. The spinning department will be able to produce 30 bales of cotton yarn (20's) daily, while the 200 looms are capable of turning out 300 pieces (each weighing 12 pounds and measuring 40 yards) of sheeting every day. One-third of the 30 bales of cotton yarn produced by the spinning department daily is to be reserved for the consumption of its own weaving looms; the remainder is earmarked for sale on the local market.

Two-thirds of the mills' machinery have been installed, while the rest is expected to reach here from the United States before the end of March. The 15,000 spindles and the other machinery of the spinning mill cost US\$1 million; the 200 looms of the weaving mill cost US\$ 500,000.

The spinning and weaving mills will employ 600 workers, chiefly women. About 60 workers will be recruited in Shanghai. These will be experienced skilled workers. The factory will provide quarters for all workers.

Like the other three mills, the management of Nanyang Cotton Mills also expressed regret over the strict labour regulations in the Colony which prohibit the employment of female workers after 10 p.m.

Some hope has been expressed that restrictions on the export of tin will be liberalized, inasmuch as rubber exporters may now retain 75 or 80 percent of foreign-exchange proceeds, and because the Government has already obtained from exports of tin, rice, and rubber a dollar reserve of approximately US\$9,000,000 as a cover for the currency in place of gold sold to the Federal Reserve Bank in 1946.

Tin Exports.

Total shipments of tin and tin ores (3,607 and 3,379 long tons, respectively, in the period from April 1 to September 30, 1947, were valued at US\$9,741,000, at least 50 percent of which went into the Government's central exchange pool. In the same period, about 2,000 tons of tin ores were shipped to the British. These shipments were made under provisions of the agreement, signed in December 1946 by Siam, Australia, the United States, and the United Kingdom, which, after three extensions, expired on September 30, 1947.

Exports of Rubber.

Direct rubber exports to the United States during September amounted to 1,700 tons, bringing total postwar shipments to the U.S. to about 18,000 tons. Some impetus to increased rubber exports should derive from the inauguration of direct shipping service to the United States from the southern Siamese ports of Bhuket and Singora, as well as the increase in amount of foreign-exchange proceeds which rubber exporters may now retain.

Teak Exports.

Although United States importers have shown considerable interest in Siamese teak, the volume of exports is still adversely affected by continued obligation on the part of exporters to surrender 50 percent of foreign-exchange proceeds for use in the Government's central exchange pool.

New Government Industries.

The Thai Electric Corp., Bangkok's only power plant now in operation, will be taken over by the Government on December 31, 1949, for a price of 12,000,000 bahts. One of the largest public utilities in Siam, the corporation includes in its assets the Bangkok tramway system.

The Ministry of Industry has presented to the Cabinet a plan for a proposed 42,000,000-baht Government-owned textile factory to be erected in northeastern Siam. This project is regarded as the initial step in a contemplated long-term plan to produce eventually enough cloth to satisfy Siam's domestic needs.

Transportation and Communications.

Several steps have been taken to rectify and improve Bangkok's port facilities. An appropriation of 5,000,000 bahts was made for repairs at Klong Toey, the main harbour area, on funds to be used for warehouses, wharves and general purposes. An additional 3,000,000 bahts was appropriated for the repair of the single Government-owned dredge damaged during the war. Dredging operations are scheduled to begin early in 1948. Negotiations are reported to be in progress with local engineering firms for the removal and salvage of about 15 ships sunk during the war, and now obstructing shipping.

Direct shipping from Bangkok to west-coast ports of the United States was scheduled to begin in October, the service being on a monthly schedule. An American Company is now including Bhuket and Singora on its ports of call in Siam, thus making possible direct shipments from ports adjacent to Siam's chief tin- and rubber-producing areas, instead of through Singapore, as formerly.

A 5-year program for railway improvement, at a cost of 543,000,000 bahts, has been submitted to the Cabinet by the Ministry of Commerce. Plans include restoration of bridges, repair and extension of track facilities, repair of rolling stock, and provisions for establishing scholarships whereby 45 students may study civil engineering abroad.

Weekly air service of a United States air line from San Francisco, via Manila, has been doubled by the inauguration of a new weekly round-the-world route passing through Bangkok from San Francisco via Tokyo, Shanghai, and Hongkong. Both flights pass through Bangkok in a westerly direction continue to Calcutta where they connect with the same line's planes from New York, and stop at Bangkok on the return trip to San Francisco.

A Siamese company has revealed plans to establish a regular service from Bangkok to Saigon, but inauguration of this service has been held up pending adjustment of exchange difficulties.

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PAPER IN KOREA

Paper production capacity in the United States Zone of Korea is estimated at 20,000 short tons annually. If all the plants were producing paper at maximum capacity, 1.9 pounds per capita per year could be manufactured. The use of machine-made paper has been limited to such items as newsprint, office stationery, and text books.

About half of the mills have machines which utilize waste fibers, whereas the remainder have equipment which requires sulfite pulp to produce paper. Sufficient waste fibers are available to meet requirements. The collection of waste paper is conducted on a very extensive scale. At least 80 percent of all scrap paper is collected and used to make new paper, and very small amounts of paper are burned. However, sulfite pulp which is produced chiefly in the Russian Zone is in very short supply. Sulfite-pulp requirements are estimated at 5,400 to 6,300 tons annually.

The average monthly production of paper during the first 9 months of 1947 was below the monthly average of 360 tons in 1946, chiefly because stock piles of sulfite pulp were practically exhausted. Paper requirements are about 12,000 tons annually, which allows for a per capita consumption of 1.33 pounds. However, with the postwar increase in literacy, the expansion of educational facilities, and the increased publication of newspapers, much more paper could be used to advantage if it were available.

Before the war, the paper industry was limited to the manufacture of hand-made paper. During the war, the Japanese built plants for the manufacture of machine-made paper so that Korea would be less dependent upon imports from Japan for many types of paper.

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SOUTH CHINA SUGAR INDUSTRY

Sugar manufacturing in South China presents unusual possibilities because of brisk demand and a high price for sugar (approximately US\$400 per ton). Domestic capital is being attracted to this field.

China's annual prewar consumption of sugar was about 1,000,000 tons. Assuming that annual production amounted to not more than 400,000 tons, there was an annual deficit of about 600,000 tons, made up for the most part by supplies from Formosa and Java. Following the war, neither of these sources has regained its original position as an appreciable supplier.

The Kwangtung delta region contains about 150,000 mow (1 mow=about one sixth of 1 acre) of land capable of producing an average of 5 tons of cane per mow per season, or a total of 750,000 tons.

Cane production in Kwangsi Province is estimated at 100,000 tons a year. Modern grinding mills are lacking in the Province. (The 300-ton Kweihsien Mill was partially destroyed by bombing in January 1939, and later completely dismantled during the Japanese occupation in 1943). It is assumed, therefore, that ample cane would be available to warrant the installation of a new mill in Kwangsi Province.

Fukien Province is reported to produce some sugarcane, although no estimate as to the quality or quantity of the cane is available. There are no modern mills in the Province.

Taiwan continues to be a factor of first importance in the South China sugar industry. At one time before the war there were 42 sugar mills in operation on the island; during the latter part of 1945 they had declined to 17, and in 1946 only 11 were in operation. By 1947 the number of mills being rehabilitated in preparation for the 1947-48 grinding season had increased to 30. If these mills can maintain continuous operation they may produce between 200,000 and 300,000 tons of sugar. Taiwan sugar production for the 1946-47 season probably did not exceed 30,000 tons, and this amount may not have represented current production but may have been supplemented by carry-over stocks.

One of the major problems facing the Taiwan Sugar Corp. in rehabilitating the island's sugar industry is, as elsewhere in China, a lack of capital. In addition, trained personnel is lacking, brought about by the repatriation from Taiwan of the many trained Japanese who were essential to the industry's operation in prewar days, and fertilizer is in short supply, limiting the production of cane.

It appears certain that interest in modern sugar manufacturing in South China will continue active, with results obtained limited only by such problems as obtaining exchange and technical personnel.

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TIENTSIN EXPORTS

Declared exports from Tientsin to the United States during the period January to September 1947, included the following textile items: Wool carpets, 1,134,963 square feet; sheep wool, 388,883 pounds; camel wool, 189,646 pounds; goat wool, 141,436 pounds; wool cashmere, 54,775 pounds; goat's-hair, 21,393 pounds; camel hair, 41,370 pounds; dressed badger hair, 831 pounds; horse-hair, 365,646 pounds; straw braids, 45,766,980 yards.

Raw-fur exports included the following pieces: Badger, 1,350; kid, 83,450; kolinski, 255,896; lamb, 59,624; weasel, 116,652; all others, 19,694.

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CANTON EXPORTS

Declared exports from Canton to the United States during the January-September 1947 period included the following selected products:

Exports of Selected Products from Canton to the United States

	Quantity	Jan.-Sept. 1947 value US\$
Boneware number	1,920	218
Featherware (fans) do..	200	17
Ivoryware do..	133	159
Embroidery pounds	58	449
Bambooware, rattan, osier number	8,042	1,000
Furniture, teakwood do..	99	356
Chests, teak, camphor do..	21	568
Wood carvings do..	28	47
Mask of Paper (lion head) do..	1	20
Glassware do..	1	—
Chinaware dozen	12	68
Porcelain do..	92	313
Terra-cotta ware do..	433	887
Firecrackers pounds	12,010	12,781
Stone sculptures number	68	14
Fans, sandalwood do..	100	31
Hair pencils (artists') do..	100	3
Ink slabs do..	11	4

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SESAMUM-SEED OIL

Sesamum-seed oil, also known as "gingelly oil", is a semi-drying fatty oil obtained from the seeds of *Sesamum indicum*, a plant which is extensively grown in China and in other Eastern countries.

Sesamum-seed oil is a dark yellowish, limpid, transparent, fixed oil, more fluid than groundnut oil or than most other fixed oils, and also less affected by exposure to the air; good oil will keep for years without becoming rancid. The oil has a very agreeable, though slight, odour; it has a pleasant, mild, bland, nut-like flavour; a specific gravity of 0.919 to 0.928, a saponification value of 190 to 194, an iodine number of 103 to 110, a refractive index of 1.4746 at 15° C., 1.4647 to 1.4656 at 40° C., and 1.4580 at 60° C., and a Maumene test of 65° to 68° C. It contains 75 percent of olein, the remaining constituents being chiefly glycerides of stearic, palmitic, and linoleic acids. It also contains a small amount of "sesamol" a substance which enables the presence of sesamum-seed oil to be readily detected by the use of certain reagents.

Sesamum-seed oil is frequently mixed with groundnuts, cotton-seed, and other oils. It is often used to adulterate olive or almond oil.

Sesamum-seed oil is used in Europe as a substitute for olive oil, or as an adulterant of that oil and of other oils, as a salad oil, and in making mar-

garine, the inferior qualities being used for soap-making and as illuminating oils. Being a semi-drying oil, sesamum-seed oil is not very suitable for use as a lubricating oil. In China sesamum-seed oil is used for cooking purposes, for anointing the hair, as an illuminant, also in medicine in diarrhoea, and externally in all sorts of sores.

The residual cake is used as a cattle food, for human food, to fatten fish, as a manure, to clean teeth, and to blacken the hair. A paste, in the form of a black pulp showing a brown cut, was formerly made from the residual cake and used to adulterate opium. Both the seeds and the leaves of the sesamum plant are used in medicine.

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ANISEED STAR AND ANISEED STAR OIL

Aniseed star, or "star anise", is the fruit of *Illicium anisatum* a small tree which somewhat resembles a laurel and which attains a height of from 25 to 30 feet. The best aniseed star is produced on the borders of Annam and in Kwangsi province, very large quantities being produced near Lungchow and Po-se; varieties are grown in Japan, Bengal, and in the Southern States of America. Originally the trees grew wild in Kwangsi province, but they are now carefully cultivated. They thrive best on hillsides, but are easily damaged, particularly by smoke. After 10 years the trees produce seeds suitable for commercial purposes, and continue bearing seed until they are over 100 years old. The flowers appear in February, and the seed is gathered in August and September; sometimes two crops are obtained in one year. 160 pounds of aniseed star is considered to be a good yield from a single tree, but the yield from the same tree varies considerably from year to year. The fresh seed dries down until it loses from 75 to 80 per cent. of its original weight.

Aniseed star receives its Chinese name (pa-chiao, meaning "eight cornered") from the radiate, star-like arrangement of the eight follicles which compose the fruit. The fruit itself is dark brown in colour and varies from 1 inch to 1½ inches in diameter. Each follicle, which is compressed laterally, is boat-shaped, roughened, and opens more or less at the top, disclosing a single, shining, yellow or brownish, ovate seed in the smooth cavity. The brittle testa contains two shrunken, oily cotyledons. The pericarp has a strong, aromatic, faintly acidulous taste, with an odour of the aniseed; the seeds have a similar, but sweeter, flavour.

In good qualities of aniseed star the fruit should be whole, large, and dark coloured; a good proportion of the follicles should contain seed, and the

seed itself should be large, fairly dark in colour, and very oily when rubbed or crushed between the fingers; the odour emitted should be very strong. The aniseed star exported from South China possesses all these characteristics and is said to be the best aniseed star in the world. An inferior aniseed star, sometimes called "false aniseed star" (*Illicium religiosum*), and mostly imported from Japan, is small in size, light coloured, much broken, and contains fewer seeds. The seeds themselves are light coloured, small, and dry; they contain very little oil, are non-fragrant, and are also said to be poisonous. An inferior quality of aniseed star (non-poisonous) is produced in the mountains of Hupeh.

Aniseed star is exported in fair quantities from South China to Europe and is usually packed for export in grass mat covers, each package weighing on the average about 130 catties net. The aniseed star imported from Japan is usually packed in coarse Japanese matting and the packages are of various sizes and weights.

Aniseed star is valuable as an article of commerce solely on account of the essential oil which it contains, the yield of oil, obtained by aqueous distillation, being from 3 to 5 percent.

Aniseed star oil is practically identical in all chemical respects with oil of anise the essential oil obtained from

common aniseed. The two oils differ very slightly in flavour. They are used for the same purposes and are often mixed together or substituted for each other.

Aniseed star oil of good quality is pale yellow in colour and has a characteristic odour, a warm or sweetish taste, a specific gravity of about 0.978, and a solidification point of from plus 15° to plus 18°C. The oil being high in price there is a great temptation to adulterate it, and cases have been known in which it has been adulterated with kerosene to the extent of from 30 to 40 percent. Aniseed star oil sometimes appears in commerce after part of the valuable "anethol" contents have been abstracted. In order to prevent cases of fraud, foreign apparatus for testing the oil is now used in China.

Much of the aniseed star oil exported from South China via Hongkong goes to France; it is usually packed in tins, each of which contains from 32 to 35 catties.

Aniseed star oil is used for flavouring purposes: in making absinthe, liqueurs, cordials, perfumes, soaps, etc.; in medicine; as a spice in brewing certain kinds of beer; and for all the purposes for which ordinary oil of anise is used.

BRITISH CLOCK & WATCH INDUSTRY Large Output Available for Far Eastern Markets

The clock and watch trade is one of the most ancient of engineering industries and right from the very earliest days when clocks and watches became mechanisms resembling what they are today, Britain's clock and watch-duction of fine clocks. A new lease makers have been well to the fore. Indeed, most of the important inventions which have made accurate time-keeping possible have been due to British brains.

Despite the intensive competition from Government-subsidised German industry in the years before World War II, British manufacturers were able to keep up a steady flow of production of fine clocks and new lease of life was given the entire Horological Industry by the advent of the Synchronous Electric Motor which was applied to clocks late in the 1920's. Originally the invention of an American, British types of clean and sturdy design soon became the world's best, and in this particular branch of the industry, Britain has always maintained her supremacy.

With the outbreak of war in September, 1939, however, all industries of this nature virtually ceased to follow their proper course and were mobilised on a war footing to produce those instruments so essential in fighting a modern war. It is true to say

that in a war of mechanisation the job of the instrument maker is no less important than that of the soldier in the field. No ship can sail the sea without its chronometer; no aircraft can fly without its multitudinous instruments and moreover, tanks, trucks, etc. all need their quota of instruments.

With the return of peace, it did not take long for British manufacturers to return to their normal productivity. Pre-war factories were very quickly turned over from war to peace activity and a steady and increasing flow of clocks soon began to emerge. New factories were opened, some produced moderately priced alarm clocks, others, specially equipped, began the production of watches of various types and qualities.

Thus the position today is that Britain's factories are producing clocks and watches of the finest quality and at prices to meet the requirements of every purse.

Post-war Production Records.

Production was considerable before World War II, but the pre-war figure of production was passed many months ago and now vast numbers of clocks and watches are appearing from the production lines. At the last annual meeting of the British Clock and Watch Manufacturers' Association it was announced that from information

collected from reports of raw material requirements and the labour involved, a conservative estimate of the productive capacity in the industry was now at least four million pieces a year and that, depending on sufficient supplies of steel and brass, there could easily be a development to the production of between six and seven million and perhaps eight million pieces. The bulk of this huge production centres round the factories built by Smiths' English Clocks, a subsidiary company of S. Smith and Sons (England) Ltd. The main centre of clock production of this firm is now Ystradgynlais, a small town near Swansea, in South Wales. Another branch is established at Carfin in the outskirts of Glasgow and factories of other firms exist also in South Wales and Dundee. Added to the important Smith factory at Cheltenham it can be seen that the industry is now very firmly rooted.

Alarm clock production is the main concern of Smiths at Carfin. Alarms are also being produced by Clocks and Watches Ltd., at Rhigos, near Aberdare, in South Wales; A. Wells & Co., at Anglesey; L. S. Mayor (London) Ltd. at Dundee, and U.K. Time Corporation, also at Dundee in Scotland.

Nor is that the whole story. Enfield Clocks Ltd. at their factory at Edmonton, near London, produce moderately priced domestic clocks on the grand scale, and so do Perivale Clock Manufacturing Co. at Perivale, near Wembley, and there are factories producing types in smaller numbers and of a higher grade at Swindon (Garrard Manufacturing Co., Ltd.) and at Croydon (F.W. Elliott Ltd.) besides many smaller firms engaged in the production of movements on the traditional English lines of craftsmanship.

A Centre of Production.

It is intended to create an important horological centre at Ystradgynlais. In addition to the factory of the Anglo-Celtic Watch Company, the estate will have no less than four factories together with canteens, stores and other building. The watch factory, which is at the moment rapidly expanding its production of pinlever escapement pocket watches, has an area of 75,000 square feet. The second factory totals 60,000 square feet with an extension now in course of erection of 40,000 square feet and, as a fourth factory 20,000 square feet are to be added to the first building mentioned. In all, this represents some 20,000 square metres of buildings on an estate of 80 acres of parkland.

Support of Govt.

Although the new horological industry is entirely the result of private enterprise it has the sympathy of the Government and its practical support in many ways. The original plans to develop the industry were originated by Dr. Hugh Dalton, when he was President of the Board of Trade during World War II. The support takes

the form of building the factories to lease to the companies on a moderate basis and, in some cases, where machinery is difficult to obtain otherwise, of supplying machines on a rental basis. Two educational schemes are directly Government-sponsored.

These educational efforts are additional and quite distinct from the normal horological training and classes devoted to repairs, which do not enter into the Government scheme, although, in some districts, these are a part of the technical education work of the Ministry of Education.

Electric Clocks.

The majority of the plans reported above refer to mechanical or spring-driven types of clocks and watches. There is another large section of the industry devoted to the production of electrical synchronous clocks. These clocks are mainly produced by well-known firms of electrical instrument manufacturers. The Smiths' "Sectric" clock is produced mainly in their large factory at Cricklewood in the north-west suburban area of London, but it is possible that eventually even this part of the work may find itself removed to South Wales. Messrs. Ferranti Ltd., the world-famous firm of electrical engineers, near Manchester, turn out large quantities of synchronous clocks and so does the Telephone Manufacturing Co. Ltd. in their factory on the southern outskirts of London—this clock under the trade name of "Temeo" is a well-known feature of the British trade. Another large manufacturing concern at Leatherhead, in Surrey, has the Goblin clock as one of its local products. In Leicester, Messrs. Gent. & Co. Ltd., add synchronous clocks to the general run of their electrical products. In addition, as in the mechanical clocks there are several small concerns engaged in the production of synchronous clocks. There are also several firms producing Master Clock Systems, including the Synchronome Co. Ltd. of Alpertown, near London.

It will be seen that the British production of clocks and watches range over a broad field of types, grades and styles. There is plenty of competition in each of these compartments of the industry which ensures its customers sound articles at reasonable prices. The fact that the goods have now been in the hands of practical and experienced distributors for some years is a sound guarantee that the current production of British clocks and watches have been well tested for reliability and, what is most important, for accuracy of timekeeping within the reasonable expectation of the quality for which the customer is prepared to pay. Britain has set out to be the great provider of clocks to the world, and, given the necessary continuity of support in the markets, is certain to succeed.

TRADE & PRODUCTION DEVELOPMENTS IN INDONESIA

THE ECONOMIC SITUATION IN BANKA AND BILLITON.

The population of Banka is 237,000 and of Billiton 87,000. The livelihood of those who are not employed by one of the tin companies, is derived from farming, fishing, rubber tapping and timber-felling. The native crops have undergone a severe decline in price. The sweet potato crops in particular bring very little in. This means much hardship in the wide areas where these crops were grown.

BANKA

During November, the people of South Banka have paid more attention to the cultivation of pineapples, for which much higher prices are obtainable than for other crops. In addition there is cultivation on a large scale of dry-grown (ladang) rice. By the end of September over 55,000 acres had been cleared for the cultivation of dry-grown rice, and of this 53,000 acres had already been planted. The area under sweet potatoes (oebi) amounted at the end of September to 19,500 acres. The natives gathered in that month 1770 acres and planted only 1080 acres.

Pepper is an important product of Banka. In 1947 the native population grew 426 tons of pepper, representing a value of florins (guilders) 1,152,000. The pepper crop is ready for harvesting roughly between April and August. Now that the pepper plucking is over and the farm crops bring little in, more interest is being shown in rubber tapping. Contracts were closed in September for the delivery of 585 tons of rubber smoked sheets at a price of Fls. 1.40 a quintal.

Between January and August 1947 Banka delivered 7,800 cubic metres of timber, nearly 96,000 cubic metres of firewood, 72,000 kilograms of charcoal and more than 8,300 kilograms of forest products.

As regards the production of tin, in September 32 mines were working, as were also 5 dredging-machines and 5 others which are not the property of the Banka Company. These belong to five small concerns which exploit small ore deposits. The production is sold to the tin company. The tin ore mined in August amounted to 8,077 quintals and in September to 9,285 quintals. Exports in August totalled 741 tons, of a value of Fls. 2,964,000; in September 501 tons, of a value of Fls. 2,004,000. 13,968 labourers were employed by the Tin Company in September. Including women and children about 50,000 inhabitants are connected with the production of tin.

BILLITON.

Between January and August, inclusive, 1947, 3890 cubic metres of timber were prepared, 41,000 cubic metres of firewood more than 186,000 kilograms of charcoal were produced and 720 kilograms of forest

products. In September the Billiton Company had 11 suction-dredging machines, in action and, in addition, one which is privately owned.

Tin production in August amounted to 2976 quintals; in September to 5583 quintals. Exports in the first-mentioned month were 500 tons of tin and tin slag, valued at Fls. 2,000,000, and September 396 tons, valued at Fls. 1,384,000. In September Billiton Company employed 7410 labourers. Including women and children, about 24,000 inhabitants are connected with the production of tin.

TIN-PRODUCTION.

The world production of tin during 1946 amounted to approximately 90,000 tons while consumption in that year totalled 116,000 tons.

The production in 1947 is estimated at 114,000 tons, 17,700 of which will be produced by Indonesia.

EXPORT FROM THE SOUTH- MOLUCCAS.

The production of copra from January 1st to October 1st, 1947, amounted to 4,090 tons, of a value of about 1 million florins (guilders). 3,000 tons were exported in this period, the value being Fls. 733,000.

In September, Banda exported more than 4,000 kilograms of Banda nuts, nearly 4,000 kilograms of Papua nuts and 1,600 kilograms of mace. 19,000 kilograms of nutmeg and 6,000 kilograms of mace were exported from East Ceram. Saparoea exported in August 5,300 kilograms of cloves and 4,000 kilos of clovestalks.

The South Moluccas exported in the first half year of 1947 spices to a value exceeding Fls. 3,000,000. Namlea provided 3,500 kilograms of cajeput for export.

THE ECONOMIC SITUATION IN SOUTH SUMATRA IN OCTOBER, 1947.

RUBBER. Three important rubber companies are again intact and are already exporting via Palembang. A fourth company can boast a very fine planting. This company recently resumed its activities.

PALM OIL. A palm oil company has commenced work in its plantations in readiness for new machines which have been ordered.

COAL. Despite severe technical difficulties occasioned, amongst other causes, by shortness of materials (tyres, bulldozers, scrapers, etc.) the Boekit Asem Mines were able to increase their production from 709 tons in August to 3,738 tons in September and 20,582 tons in October; at the moment the rate of production is about 1000 tons a day. The morale of the workers is good, which may partly be attributed to the distribution of food and textiles, the regular payment of wages and satisfactory medical facilities.

PETROLEUM. In the second half of October the Sumatra Vacuum Petroleum Company succeeded in repairing its pipelines, with the result that oil can again be sent through the more than 125 miles long pipe-lines from the Pendopo fields to the Soengei Gerong refinery. The S.V.P. Co. at present employs about 3,000 Indonesian personnel, which, with their families, are entirely dependent for their livelihood upon this company.

TRADE AND SHIPPING. The first ship to sail for Singapore with rubber since the police action left on September 10th last; since that date there has been regular shipping of rubber. Besides the oil-tankers which give the Moesi once again an aspect of pre-war activity, large and small ships, sailing under many flags, now call at Palembang for the loading and unloading of goods.

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Exports and Imports of Netherlands East Indies

RETURNS FOR THE MONTHS OF SEPTEMBER AND OCTOBER 1947.

Total imports in Indonesia amounted to 67,333,921 Kilos gross, valued at 79,246,867 N. E. I. guilders during September, and during October 57,739,307 Kilos valued at 59,145,546 N. E. I. guilders.

Total exports amounted to 89,642,440 Kilos gross, representing a total value of 30,455,320 N. E. I. guilders during September, and during October 167,343,770 Kilos, representing a total value of 29,674,982 N. E. I. guilders.

Principal imports during September were: foodstuffs and luxuries (17.7 million guilders); animal and vegetable produce (1 million); minerals (2.5 million); chemical products (3.6 million); glass and glassware (1.3 million); yarns, cotton piecegoods, clothing and millinery (31.7 million); paper and paper goods (2.1 million metals (6.8 million), vehicles, vessels, airplanes (3.6 million); machinery, implements, apparatus, tools (6.7 million).

Principal countries of origin were: the Netherlands (11.5 million guilders); Great Britain (5.5 million); Belgium and Luxembourg (1.9 million); U.S.A. (21.5 million); Siam (1.3 million); Singapore (3.1 million); Hongkong (2.7 million); China (4.1 million); Japan (14.9 million); Australia (5.1 million).

Principal exports during September were: rubber (8.1 million guilders); copra (6.7 million); tin and tin ore (4.5 million); petroleum products (3.9 million); pepper (nearly 1 million); cinchona bark and quinine (0.5 million); hard rope fibres (nearly 1 million); rattans (0.6 million).

The principal destinations were: the Netherlands (9.1 million guilders); Denmark (3.4 million); U.S.A. (6.3 million); Union of South Africa (1.9 million); Singapore (5.9 million); Hongkong (0.5 million); Australia (0.6 million).

Principal imports during October were: foodstuffs and luxuries (19.3 million guilders); glass and glassware (1.3 million); yarns, cotton piecegoods, clothing and millinery (14.1 million); paper and papergoods (2.1 million); metals (4.4 million); vehicles, vessels and airplanes (2.5

million); machinery, implements, apparatus, tools (6.1 million).

Principal countries of origin were: the Netherlands (8.3 million guilders); Great Britain (5.3 million); Belgium and Luxemburg (1.3 million); Canada (1 million); U.S.A. (25.8 million); Singapore (2.5 million); Hongkong (3.1 million); China (4.3 million); Japan (1.2 million).

Principal exports during October were: rubber (5.1 million guilders); drugs and spices (0.8 million); copra and copra cakes (3.4 million); other vegetable produce (1.6 million); petroleum and petroleum products, mineral fuel (14.2 million); tin and tin ore (2.7 million).

Principal destinations were: the Netherlands (3.5 million guilders); Great Britain (0.2 million); U.S.A. (4.6 million); Singapore (13.6 million); Hongkong (0.6 million).

COMPOSITION OF INDONESIAN EXPORTS

The welfare of Indonesia is for the greater part dependant on export; it is estimated that 35 to 40% of the total production was exported before the war, a very high percentage compared to that of other countries. Export consists almost entirely of agricultural and mineral products; the value of the produce of European estates is greater than that produced by native agriculture.

In 1938 the value of exports, expressed in millions of guilders, was: Agricultural produce: Estates 257 (39%); Native 169 (26%).

Mineral produce: 203 (31%).

Others: 28 (4%).

Total: 658 (100%).

Estate produce is almost entirely exported; little is used in the country itself, as Indonesia is not yet industrially developed, and the purchasing power of the people is on an Asiatic level. On the other hand production by native agriculturalists has risen considerably during last decennia. While the native share in export in 1900 amounted to only 9%, it has risen since to about 40%. Rubber and coffee in particular have become important export products of the native.

It is of importance to Indonesia's economic stability that it can depend on so many sources of income, and in particular that not one of them so predominates that the welfare of the country depends on it alone. For in spite of the importance of petroleum, tea, rubber, sugar, tobacco, copra or tin, not one of them represented more than 25% of the total export value. No single product can be named—to use a well-known expression—the “cork on which Indonesia floats”.

Another circumstance which is favourable to the welfare of Indonesia is that it is the world's most important supplier—though not the only one—of some of the products exported; particularly quinine, cassava products, pepper and kapok of which the export in 1938 represented 90%, 75%, 85% and 65% of world exports respectively.

HONGKONG OFFICIAL EXCHANGE RATES AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING, 1/2 15/16 delivery within		1/3 1/32 T.T.	
2 months with		1/3 1/16 O/D.	
a cut of 1/32		1/3 3/32 30d/s.	
for every further 3 months		1/3 1/8 60-90d/s.	
forward.		1/3 5/32 120d/s.	
—Do—		1/3 1/8 O/D if under L/Credit.	
(East & South Africa)		1/3 3/16 O/L with L/Credit	
—Do—		1/32nd up every 30d/s.	
(West Africa & West Indies)		1/3 5/16 O/D if under L/Credit	
RUPEES (India)	82 %	1/3 3/8 O/D with L/Credit.	
		1/32nd up every 30d/s.	
		83 % T.T.	
		84 % O/D.	
		84 3/4 7 & 30d/s.	
		84 1/4 60d/s.	
		84 % 80d/s.	
—Do— (Rangoon)	82 %	All buying rates	
—Do— (Aden)	82 %	3/16th higher than India.	
		84 3/4 O/D if under L/Credit.	
		84 1/4 O/D without L/Credit.	
		84 3/4 30 & 60 d/s.	
STRAITS \$	53	53 % T.T. & O/D.	
		34 % 30 & 60d/s.	
U.S.\$ 24 15/16 delivery within		25 1/4 T.T.	
CANADIAN \$ 2 months with		25 5/16 O/D—30d/s.	
a cut of 1/16		25 3/8 60—90d/s.	
for every further 3 months			
forward.			
U.S.\$ NOTES		25 % (Banks to pay Insur-	
		ance and Postage).	
AUSTRALIA, 1/6 3/4		1/6 % T.T.	
		1/6 15/16 O/D.	
NEW ZEALAND, 1/6 7/16		1/6 13/16 T.T.	
		1/6 7/8 O/D.	

